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South Somerset Economic Development Needs Assessment

Final Report

Prepared on behalf of South Somerset District Council

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Executive Summary

Introduction

- i. HJA has been instructed by South Somerset District Council to provide evidence on the long-term requirements for employment land across the district. This will be used to inform the development of the Local Plan Review. This research will help to inform a wider study which is considering the future demographic and housing needs of the area, led by Opinion Research Services (ORS).
- ii. This report updates previous analysis for South Somerset undertaken by HJA and set out in *South Somerset Employment Land Evidence: Long Term Economic Forecasting and Implications for Employment Sites and Premises 2017 (addendum 2018)*.
- iii. This research study draws together evidence to inform an independent and objective assessment of potential future needs for employment sites and premises across the South Somerset local authority area. The study method has been designed to align to the requirements of NPPF and PPG.

Baseline

- iv. South Somerset is home to a resident population of 168,000 persons and accommodates 85,000 jobs.
- v. The area has seen slow population growth in recent years, below that of comparator areas (Somerset, Heart of the South West LEP area and GB). This limited growth is primarily fuelled by increases in the population of 65 years old and above. The working age population has been falling, which is the opposite of the trend seen in comparator areas.
- vi. Economic activity rates and employment rates are generally high. Unemployment is low and has been declining. This starting point – high levels of economic participation and a low unemployment rate – mean there is little slack in the existing labour market on the basis of headline metrics. This has implications for the scale of future employment growth.
- vii. Employment levels have been rising in recent years. South Somerset has a job density broadly in line with comparator areas. Around 44% of employment is located at Yeovil as the key hub in the district.
- viii. Across the whole area the most concentrated sectors are:
 - Agriculture;
 - Manufacturing; and
 - Motor Trades.
- ix. The area is under-represented in:
 - Professional Services; and
 - Administrative Services.
- x. Yeovil is somewhat atypical of the broader area with stronger concentrations in office-based activities such as professional and administrative services as well as a significant concentration in the health sector given the location of the hospital.

Economic Forecasts and Scenarios

- xi. Two sets of forecasts have been used to capture a range of opinion on the future trajectory of the economy. Baseline forecasts from Oxford Economics (OE) and Experian suggest employment growth across the Plan period of –5,200 to 6,600 jobs.
- xii. Overall growth rates are anticipated to be lower than the 2000–2020 period. In part this is as a result of a tight labour market and unfavourable demographics. The majority of employment growth will be reliant on workers participating in the labour market beyond 65 years of age.
- xiii. There are wide variations in sectoral employment changes forecast by Experian and OE. OE anticipate the largest employment gains in health, professional and administrative services. Experian anticipate the most significant gains in health, accommodation & food services, wholesale & retail, and education. One of the most significant divergences between the two forecasts relates to the prospects of the manufacturing sector. Following a review of the available data it is likely that the two forecasts mark the two extremes of likely outcomes, with a figure in the middle of the range more appropriate. This would still mark a continued decline in the sector in employment terms.
- xiv. Analysis of the impact of the Covid-19 pandemic on the economy is only partial at present, with the crisis ongoing. However, analysis by Oxford Economics for the South West Councils shows that whilst there will be a substantial and lasting impact on GVA, in employment terms there will be a recovery. Depending on the scenario (central or pessimistic) the recovery may take longer to be made in full. However, by 2040 the post-Covid employment level is expected to be the same in South Somerset as the pre-Covid forecast, with very limited sectoral change.
- xv. A range of other economic influences have been considered in order to test the baseline scenarios. Analysis of demographics undertaken for the Housing Needs Assessment suggests limited labour supply to fuel employment growth, meaning the higher levels of employment growth forecast by Experian may be challenging to deliver. However, the very negative forecasts set out by Oxford Economics appear overly pessimistic in terms of the labour supply position and would lead to increased net out-commuting.
- xvi. On this basis it is not appropriate to test significantly higher employment growth scenarios. However, given the levels of uncertainty in both the economy and the commercial market there will be a need for flexibility in terms of employment land policy and provision to cater for unexpected changes. A position between the two forecasters positions is likely to be a reasonable basis for planning, but understanding the two ‘book-ends’ will be helpful, given the range of opinions and significant degree of uncertainty present at the current time following Covid and Brexit.
- xvii. Two more central scenarios have been developed – a ‘mid-point’ and a ‘hybrid’ taking account of the available evidence and considering past trends and policy ambitions. These suggest a growth in employment of 700 – 1,900 jobs over the Plan period.

Future Employment Sites and Premises Requirements

- xviii. The report considers both the requirements for E(g), B2, and B8 Use Class sites and premises to accommodate the net changes in the economy, but also to ensure a sufficiently high-quality ongoing stock to meet the needs of the existing economy and the perpetual changes that are taking place within it.

- xix. Changes in employment will be spread across a wide range of Use Classes and none. A significant proportion (between 12%–28%) of additional jobs will not require sites and premises provision, either as a result of home working, peripatetic working or accommodation within the workplaces of others. Substantial net additional job creation will fall within other parts of the E and C use classes not considered as part of this analysis.
- xx. There is a mixed picture within the E(g), B2, and B8 use classes, with significant forecast employment losses in B2 activities, but gains in E(g)(i) office activities and B8 storage and distribution. In net terms, according to the baseline forecasts a change of between –4,400 and +600 jobs in E(g), B2, and B8 use classes are forecast across the Plan period. The most significant driver of this variation is the very different forecasts for the manufacturing sector.
- xxi. Alternative mid-point and hybrid scenarios have been developed to consider a more balanced position, whilst acknowledging that given current uncertainties a wide range of possibilities are valid. These central scenarios suggest a fall of between –1,800 and –1,900 jobs in the traditional ‘employment’ Use Classes, primarily driven by falls in manufacturing that are not offset by other ‘employment’ sectors.
- xxii. Net changes in the economy will require additional office and research & development space, but potential reductions of light and general industrial premises. A more substantial requirement is likely to emerge from the need to replace both office and industrial floorspace as a result of losses to other uses, dilapidation or unsuitable premises within the existing portfolio.
- xxiii. Based on historic patterns it is estimated that approximately 10% of the total gross requirement can be achieved on previously developed B Use Class sites. However, the remainder, and a suitable flexibility and choice buffer, will need to be provided through the site allocations process.
- xxiv. The emerging forecast figures have been validated through comparison with historic levels of development activity and consultation with commercial market stakeholders. This showed historic levels of activity towards the upper end of the forecast range for industrial and warehouse requirements but the lower end of the range for office development. On this basis provision for around 24,000 – 29,000 sq m of office development and around 80ha for industrial and warehousing development is likely to be appropriate.
- xxv. However, given the level of uncertainty caused by the Covid-19 pandemic, accelerating a number of trends that may change the scale and nature of employment property occupation, it will be vital to ensure a flexibility of provision and to carefully monitor activity. The Local Plan Review currently sets allocations at slightly above the upper end of the range – holding to such a position could provide the level of flexibility required to navigate the aforementioned uncertainties, particularly for industrial and warehousing activities given market sentiment.

1 Introduction

- 1.0.1 HJA has been instructed by Somerset West & Taunton and South Somerset Councils to provide evidence on the long-term requirements for employment land across the two council areas. This will be used to inform the development of the respective Local Plans of the Councils. This research will help to inform a wider study which is considering the future demographic and housing needs of the Council areas, led by ORS.
- 1.0.2 This report relates to the South Somerset area. A separate report sets out the analysis for Somerset West & Taunton. This report updates previous analysis for South Somerset undertaken by HJA and set out in *South Somerset Employment Land Evidence: Long Term Economic Forecasting and Implications for Employment Sites and Premises 2017 (addendum 2018)*.

1.1 National Policy and Guidance

National Planning Policy Framework

- 1.1.1 The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England and how these should be applied. The underlying purpose of the Framework is to contribute to the achievement of sustainable development – this means meeting the needs of modern society without compromising future generations.
- 1.1.2 In order to achieve this, the NPPF sets out three overarching objectives for the planning system:
- Economic objective: *build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure.*
 - Social objective: *support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations.*
 - Environmental objective: *contribute to protecting and enhancing our natural, built and historic environment; including making effective use of land, helping to improve biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.*
- 1.1.3 As per the economic objective above, innovation and productivity are key themes the planning system needs to accommodate.
- 1.1.4 Paragraph 9 specifies that part of delivering sustainable development is ensuring planning policies take account of local circumstances in order to represent the character, needs, and opportunities of the area in question.
- 1.1.5 Chapter 6 of the NPPF deals with 'Building a strong, competitive economy'. Paragraph 80 states that *"Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future."*

1.1.6 Paragraph 81 of the NPPF sets out that planning policies should:

- a) *set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration.*
- b) *set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period.*
- c) *seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment.*
- d) *be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.*

1.1.7 Paragraph 82 deals specifically with the spatial dynamic of some sectors. The first point highlights the need for provision to be made for clusters and networks of knowledge-based, creative, and high technology industries. The second point highlights the need for storage and distribution provision at varying scales in accessible locations.

1.1.8 Chapter 11 covers the topic of 'Making effective use of land'. Policies and decisions should reflect changes in land-use requirements. As such, where an application is unlikely to come forward for a site under its allocated use, the site should be reallocated under a more deliverable use which addresses an identified need. Where applications for alternative uses are brought forward before such a reallocation can take place, these should be supported if the proposed use would contribute to meeting an unmet need in the area.

Planning Practice Guidance

1.1.9 Published in March 2015 and last updated in December 2020, the Ministry of Housing, Communities & Local Government provide Planning Practice Guidance (PPG) to councils on housing and economic needs assessment¹. PPG states that policy-making authorities are required to prepare a robust evidence base of existing business needs (Paragraph 025). It is important that the evidence base reflects local conditions, as national economic trends do not automatically translate across spatial scales. In preparing an evidence base, policy-makers should assess the following (Paragraph 026):

- *the best fit functional economic market area.*
- *the existing stock of land for employment uses within the area.*
- *the recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development).*
- *evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums.*
- *wider market signals relating to economic growth, diversification and innovation.*

¹ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#economic-need> PPG is an online tool to enable frequent updates. The sections relevant to economic needs assessment were last updated in July 2019.

- *any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.*

1.1.10 Paragraph 027 suggests that market signals should be used to inform decisions around future need. Policymakers should develop an idea of future needs based on a variety of data, including:

- *Sector-based employment forecasts which account for possible changes in skill requirements, giving an indication of future labour demand.*
- *Demographically derived assessments of current and future local labour supply.*
- *Past take-up of employment land and commercial property, along with future property market requirements.*
- *Qualitative findings from consultation with local stakeholders, and research into localised business trends.*

1.1.11 The Guidance recommends that the implications of alternative economic scenarios should also form part of the assessment.

1.1.12 Paragraph 031 provides guidance on how to assess need and allocate space for logistics. The Guidance emphasises the crucial role that logistics plays in enabling an “*efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities*”. There are distinct locational requirements that apply to the logistics sector above and beyond those relating to general industrial land. Consideration needs to be given to the need for strategic facilities that serve national or regional markets, as well as ‘last mile’ facilities that serve smaller, more local markets.

1.1.13 Paragraph 032 deals with addressing the specific locational requirements of specialist or emerging sectors. Allowing for certain industries to ‘cluster’ – particularly high tech, engineering, digital, creative, and logistics activities – can make an important contribution to the NPPF’s economic objective of increasing innovation, productivity, and sustainability.

1.2 Methodology

1.2.1 This research study draws together evidence to inform an independent and objective assessment of potential future needs for employment sites and premises across the South Somerset local authority area. The study method has been designed to align to the requirements of NPPF and PPG. The following chapters therefore consider the economic situation, future employment scenarios and the potential employment land requirements associated with these.

1.2.2 The functional economic market area or FEMA for South Somerset was considered previously as part of *South Somerset Employment Land Evidence: Review of FEMAs and Understanding Market Trends (2017)*. This concluded that the South Somerset Local Authority area formed its own FEMA.

1.2.3 As well as drawing together existing statistics, economic forecasts from two leading economic forecasting organisations, Oxford Economics and Experian, have been purchased to inform the analysis. There has also been telephone consultations and a workshop with a small number of local commercial property agents.

1.2.4 Further detail on the methodology applied at each stage is set out within each chapter and accompanying appendices.

1.2.5 Through the course of the study a number of significant contextual changes have taken place:

- The Covid-19 pandemic;
- Extensions to Permitted Development Rights;
- Changes to the Use Classes Order, including creation of the new E Use Class with particular implications for employment premises; and
- The end of the transition period as the UK exited the European Union.

1.2.6 Each of these has been considered in terms of the potential implications for the economy and employment land demand and policy. However, such recent and significant changes create additional uncertainty. Whilst each is therefore commented upon within the relevant sections of this report, it will heighten the need for good quality monitoring in the future as new evidence becomes available.

1.3 Report Structure

1.3.1 The remainder of this report is structured as follows:

- Chapter 2 sets out relevant economic baseline data;
- Chapter 3 sets out analysis of economic forecasts for the Local Plan period, alongside potential alternative scenarios to aid policy decision making;
- Chapter 4 sets out analysis of future employment sites and premises requirements for the area, taking into account the forecast scenarios as well as further commercial market drivers; and
- Chapter 5 sets out conclusions.

2 Baseline Analysis

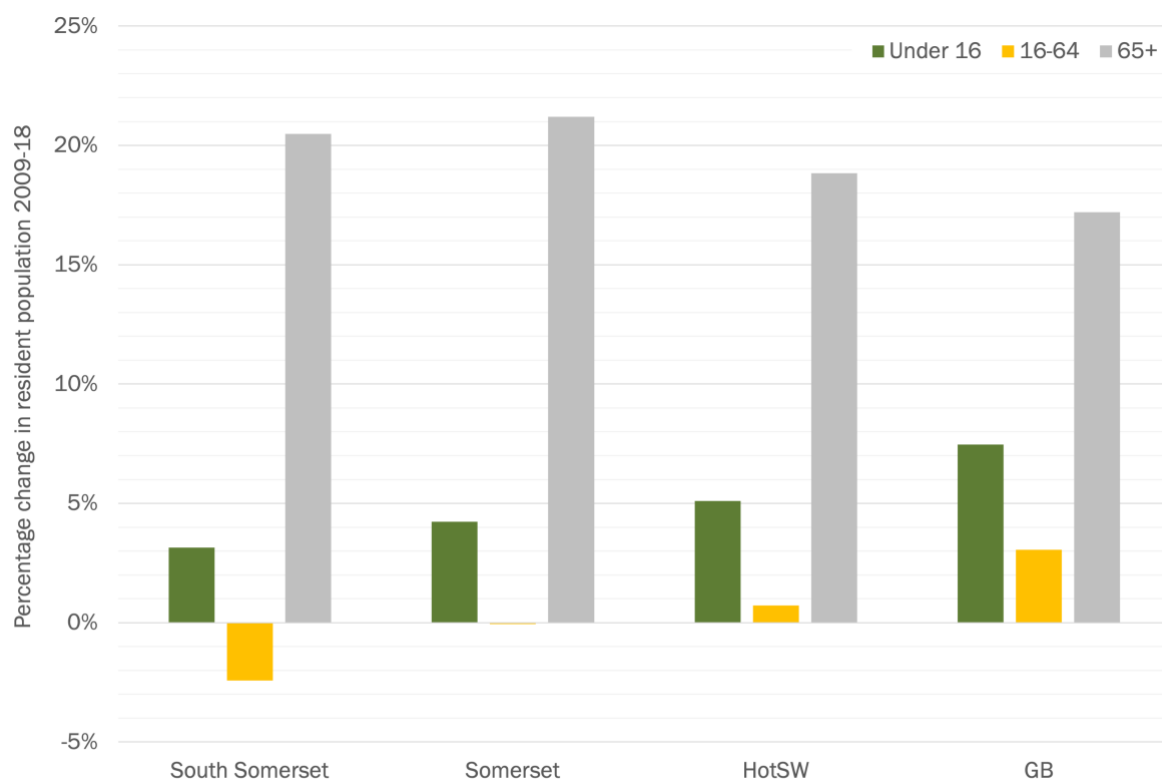
2.0.1 This chapter sets out a review of economic baseline data for South Somerset. The South Somerset data presented is benchmarked to the following comparator areas (unless otherwise stated): Somerset; Heart of the South West (HotSW) LEP area; and Great Britain (GB).

2.1 Labour Market Profile

2.1.1 South Somerset had a resident population of 168,000 as of 2018². The population of the District continues to grow steadily, although at a slower rate than comparator areas. The population increase in the area appears to be largely driven by increases in the older population (those aged 65+), with the area experiencing a decline in the working age (16-64) population.

2.1.2 The growth in the older population reflects the national trend, and is seen across all comparator areas. Somerset and the HotSW did experience declines in their working age populations, but these have reversed, and the recent trend is for marginal year-on-year growth. South Somerset has not seen this reversal and so is unique among comparator areas.

Figure 2.1 Change in population by age group 2009–18



Source: ONS Population Estimates

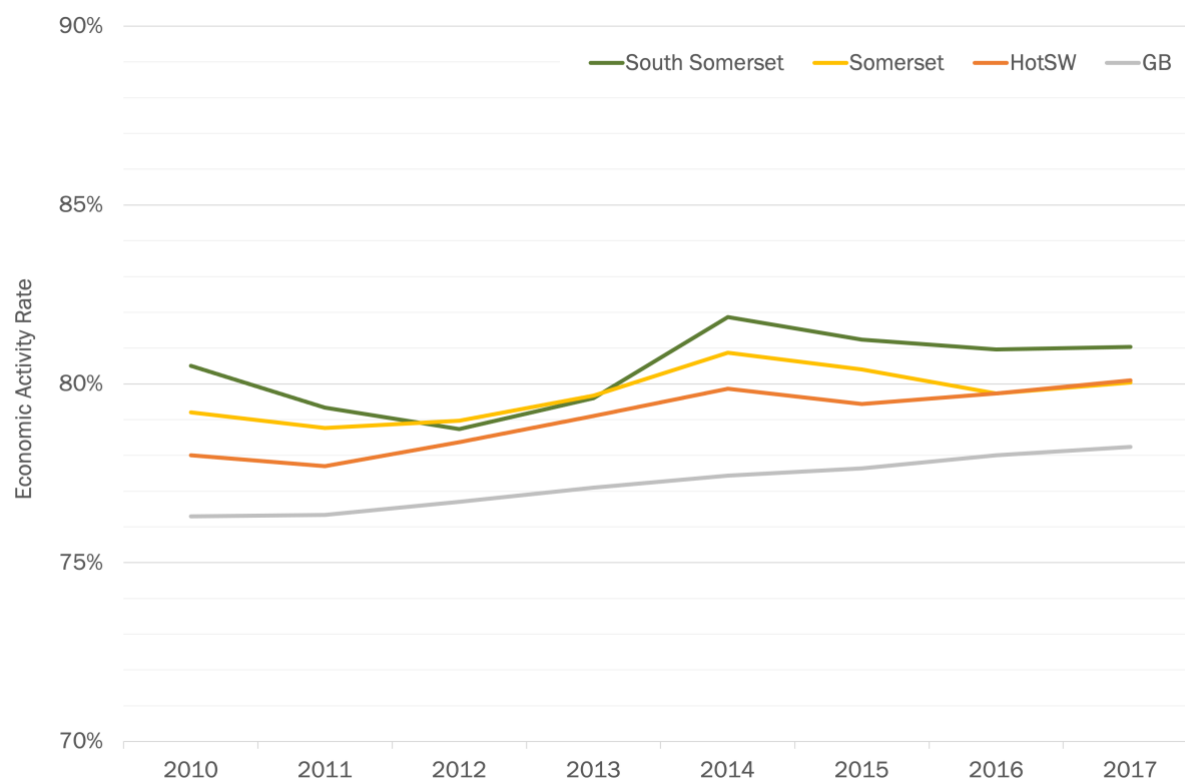
2.1.3 Data on economic activity rates and resident-based employment rates are collected via the Annual Population Survey³. As this is a survey, data from smaller areas tends to exhibit more volatility than data from larger areas due to smaller sample sizes. To account for this the data has been

² Population Estimates (2019)

³ Annual Population Survey (2019)

smoothed to a three-year rolling average. South Somerset has tended to have a marginally higher economic activity rate and employment rate than comparator areas.

Figure 2.2 Economic activity rate (3 year rolling average)



Source: ONS Annual Population Survey

- 2.1.4 Data for those who meet the international definition of unemployment⁴ is gathered via the Annual Population Survey. Due to small sample sizes across local authority areas, direct estimates from this survey are generally not robust at this geographical level. To overcome this problem, a model-based estimate is generated by the ONS (Office for National Statistics) using a combination of Annual Population Survey data and data from the Claimant Count⁵. As of 2018 the unemployment rate for those aged 16+ in South Somerset was 3%. This is slightly below the rates seen in the South West and GB, continuing the trend seen over the last ten years.
- 2.1.5 To examine the unemployment rate among the working age population, and to compare this to Somerset and the HotSW it is possible to use the Claimant Count as a proxy for unemployment. As of April 2015, the Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Jobseeker's Allowance claimants. Given that the claimant count will naturally increase with the staged rollout of Universal Credit across the country, we have only examined 2019 data in order to provide the most accurate comparisons. As this is not a survey it is possible to obtain relatively accurate data on individuals who are out of work. During 2019 South Somerset had an average of 1,800 claimants each month or, 1.9% of the working age population⁶. This is consistently below the proportion of claimants seen in comparator areas.

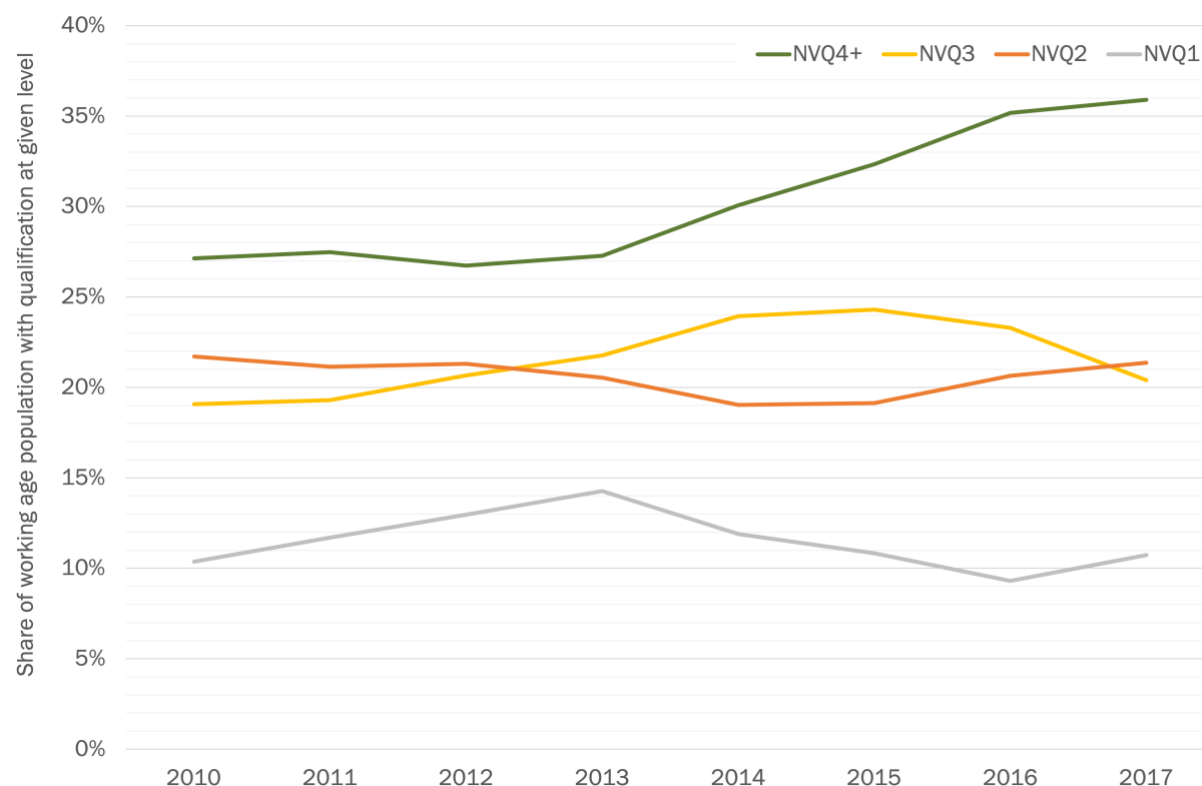
⁴ Anybody who is not in work, available for work and has actively sought work (in the UK this is limited to within the last two weeks)

⁵ This counts the number of people claiming benefits principally for the reason of being unemployed

⁶ Claimant Count (2020)

- 2.1.6 Qualifications data **Error! Bookmark not defined.** for the working age population in South Somerset shows an emerging trend of more people being qualified to NVQ Level 4 and above, as shown in Figure 2.3. This is coupled with declines in qualifications at NVQ Levels 1 and 2, and relatively stable numbers at NVQ Level 3. This has brought the District more in-line with the Somerset and HotSW averages for qualifications at NVQ Level 4.

Figure 2.3 Qualifications in South Somerset (smoothed to 3-year average)



Source: Annual Population Survey 2019

- 2.1.7 Qualifications data reflects the trend seen in the occupations of residents **Error! Bookmark not defined.**, which shows the number of residents working in the professional, managerial and technical occupations sector (SOC1-3) is broadly increasing, with a stable number working in associate professional and skilled occupations (SOC 4-5).
- 2.1.8 Earnings data⁷ for South Somerset suggests that median pay is increasing for residents, which reflects the national trend. Earnings in South Somerset are now in-line with those for the wider Somerset area, and slightly above the HotSW average.

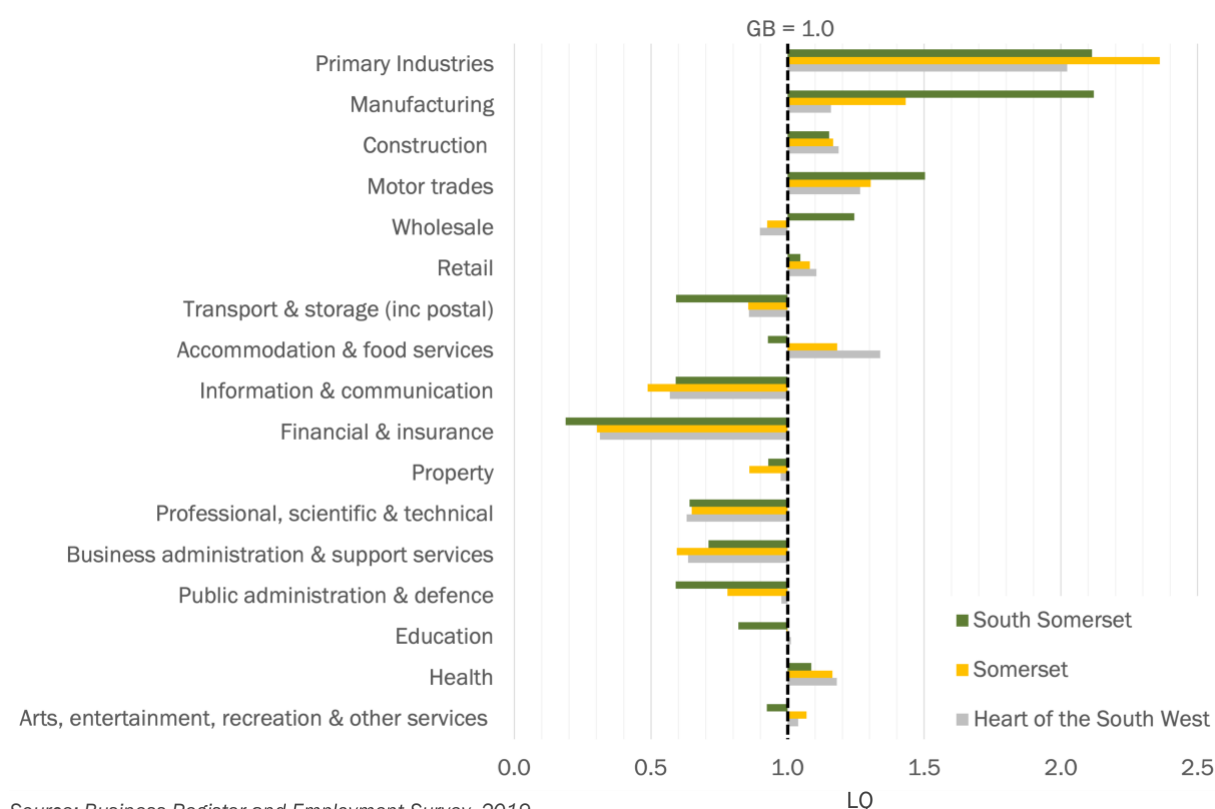
2.2 Jobs and Employment

- 2.2.1 The most comprehensive measure of jobs in an area is provided via ONS Jobs Density data. This looks at employees, self-employed, government trainees and HM Forces jobs. The number of jobs in South Somerset has been broadly increasing each year since 2014, and currently stands at 85,000. In order to conduct cross-sectional analysis of jobs numbers the jobs density figure must be examined. The jobs density figure is generated by dividing the number of jobs in an area by the working age population. In 2018 the figure for South Somerset was 0.88, meaning there is less than one job per working age resident. This figure is in-line with comparator areas.

⁷ Annual Survey of Hours and Earnings (2019)

- 2.2.2 The Business Register and Employment Survey (BRES) provides the most detailed workplace-based measure of employment by sector. Analysis focuses on the period 2015 to 2018 as there is a discontinuity with earlier data following the inclusion of PAYE only businesses in the dataset.
- 2.2.3 Total employment in South Somerset as of 2018 was approximately 71,600 according to BRES⁸. Employment has remained broadly stable over the period 2015 to 2018. This is not in-line with comparator areas which have seen increases in employment over the same period.
- 2.2.4 Sectoral analysis is conducted by examining the concentration of employment in a sector relative to Great Britain⁹. **Error! Reference source not found.**Figure 2.4 below shows that the *Agriculture, forestry & fishing* and *Manufacturing* sectors are particularly concentrated in South Somerset. The *Motor trades* (LQ 1.5) and *Wholesale* (LQ 1.2) sectors are also notably higher in South Somerset.

Figure 2.4 Location quotient by broad industrial category, South Somerset vs. Somerset and England (2018)



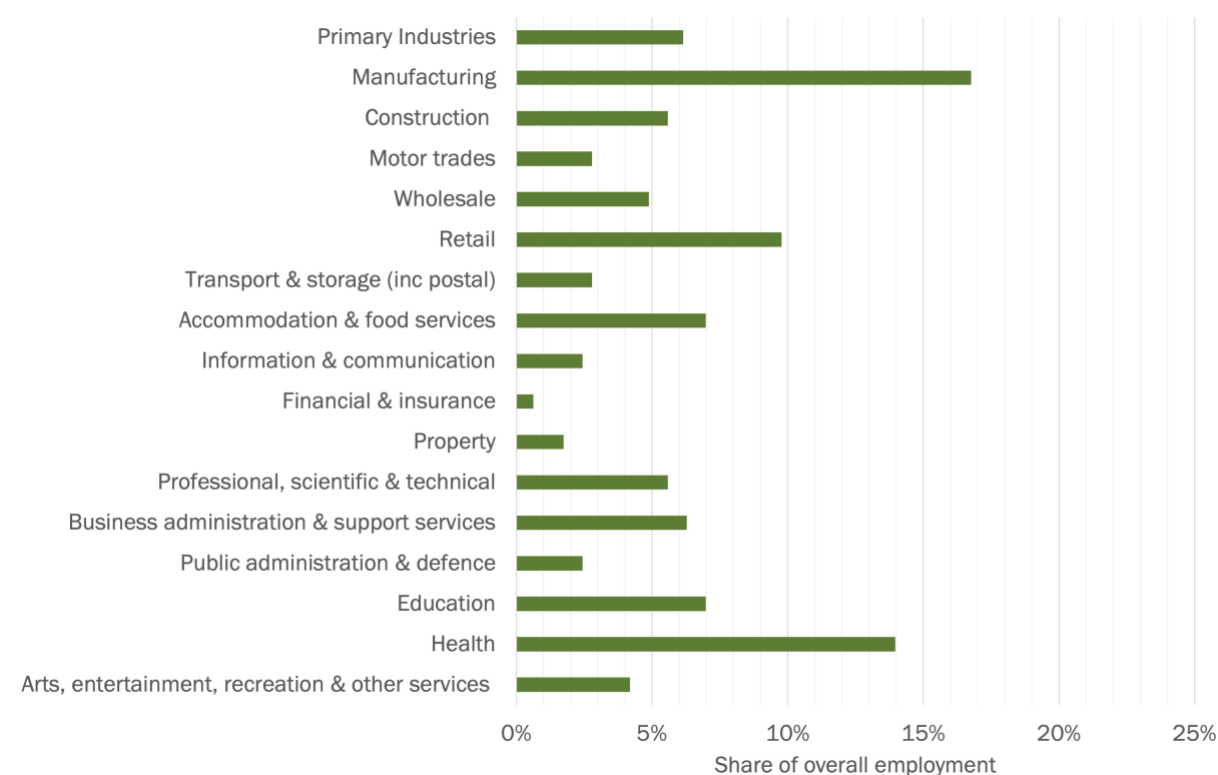
Source: Business Register and Employment Survey, 2019

- 2.2.5 Strengths in the *Agriculture, forestry & fishing* and *Motor trades* industries are shared with both Somerset and the HotSW, whilst strength in the *Manufacturing* sector is also seen in Somerset. Strength in the *Wholesale* sector appears to be unique to South Somerset among comparator areas.
- 2.2.6 As well as showing a high concentration, *Manufacturing* also accounts for 17% of total employment in South Somerset, the highest of any sector. The *Health* and *Retail* sectors are the second and third largest employers respectively. Figure 2.5 shows the spread of employment across sectors.

⁸ This is lower than the jobs density measure as it does not capture all of the self-employed, HM Forces and government trainees.

⁹ This is done using a location quotient. This is calculated by dividing the proportion of employment in each sector in an area by the proportion employed in the same sector in Great Britain. A figure greater than 1.0 indicates that there is a greater proportion of employment in a sector than the GB average.

Figure 2.5 Share of overall employment by broad industrial category, South Somerset (2018)



Source: Business Register and Employment Survey, 2019

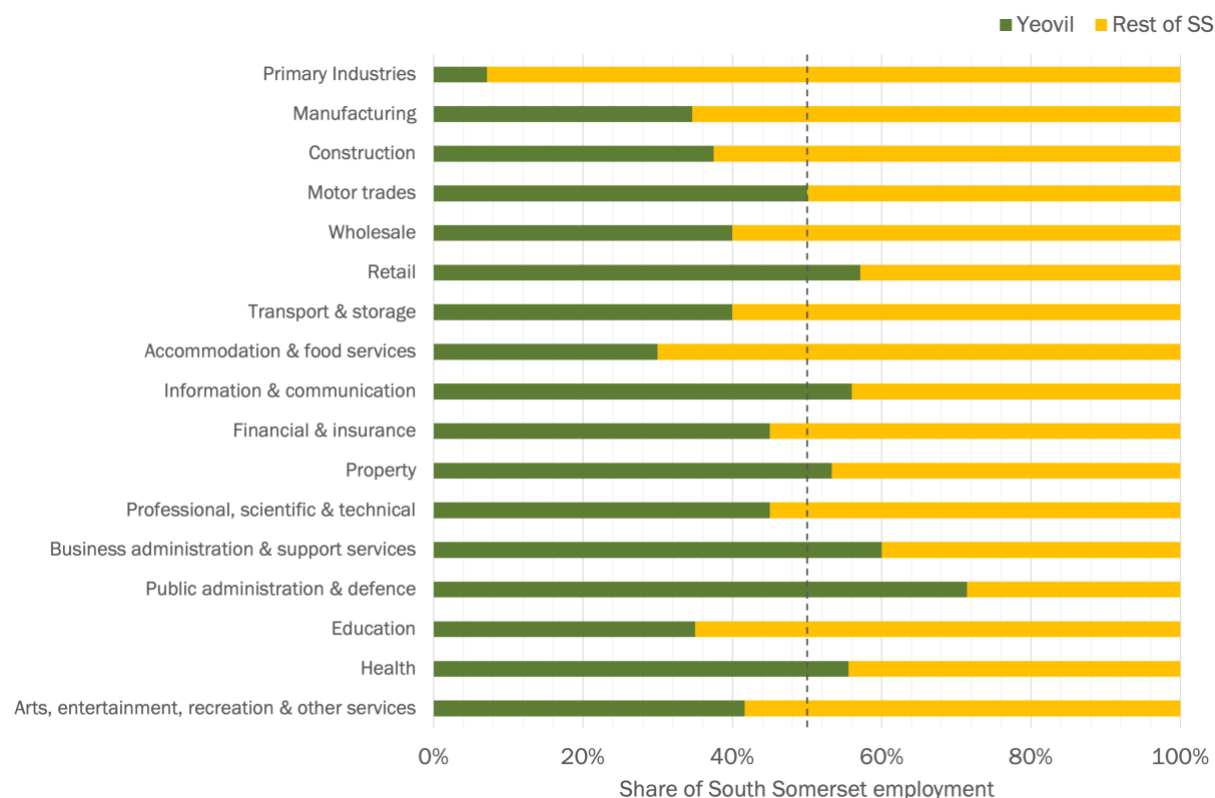
- 2.2.7 Whilst total employment has not markedly changed over the period, this can mask movements within sectors. The largest positive changes in employment by sector have been in *Business administration & support services* (+1,000); *Wholesale* (+500) and *Accommodation & food services* (+500). Large declines have been seen in *Manufacturing* (-1,000); *Professional, scientific & technical* (-1,000); *Motor trades* (-500); and *Transport & storage* (-500).
- 2.2.8 There is a relative under-representation in business and professional services sectors including: *Information & communication*; *Finance & insurance*; *Property*; *Professional, scientific & technical*; and *Business administration & support services*. This is also consistent across Somerset and HotSW.

Yeovil

- 2.2.9 According to BRES data, in 2019 Yeovil¹⁰ accounted for around 44% of South Somerset's employment, an increase from 42% in 2015. Yeovil is a key employment centre for many of South Somerset's high-value sectors, contributing around 50% of jobs in the following sectors: *Information & communication*; *Finance & insurance*; *Professional, scientific & technical*; and *Business administration & support services*. Yeovil has consolidated its share of employment in these high value sectors since 2015, either by an increase in jobs (*Professional, scientific & technical*; and *Business administration & support services*) or as a result of job losses in the rest of South Somerset (*Information & communication*).

Figure 2.6 Shares of South Somerset sectoral employment, Yeovil vs. rest of South Somerset (2019)

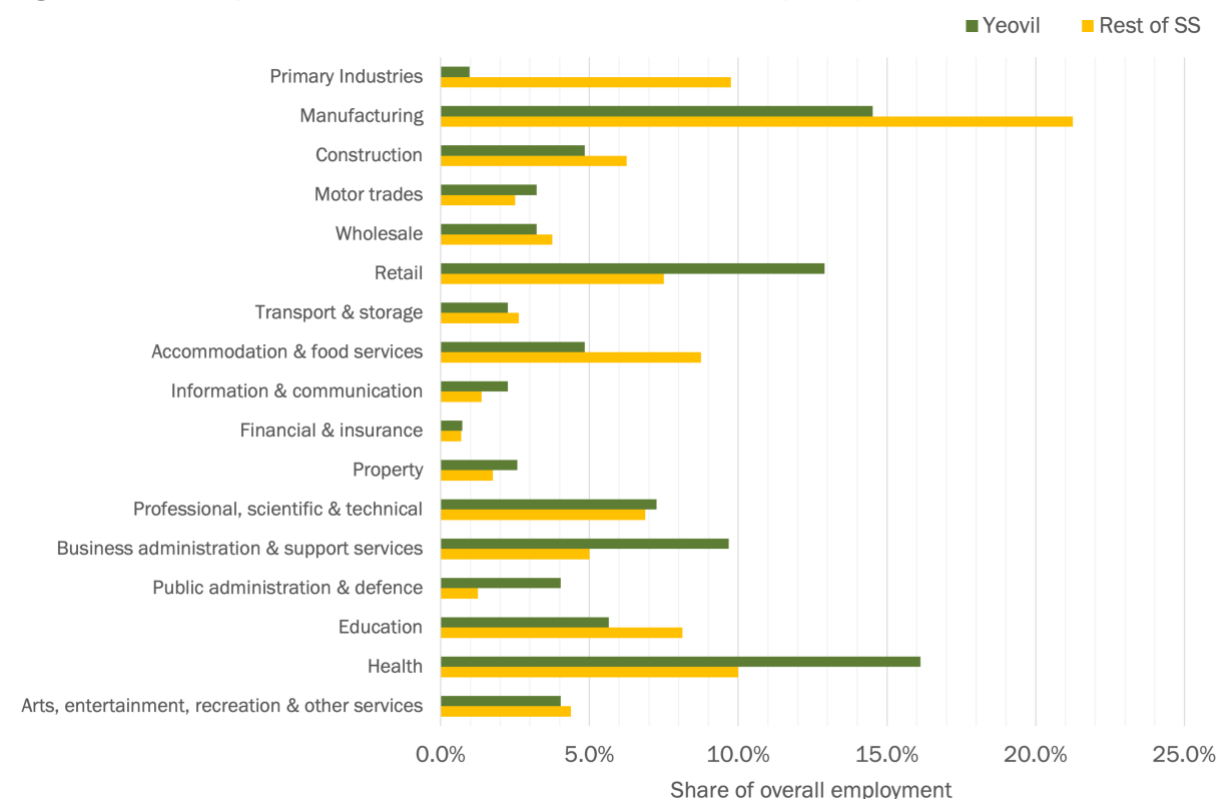
¹⁰ Defined on the basis of the following MSOAs: South Somerset 011, South Somerset 012, South Somerset 013, South Somerset 014, South Somerset 015, South Somerset 016, South Somerset 018



Source: HJA analysis of Business Register and Employment Survey, 2019

- 2.2.10 Yeovil has a different sector profile to the rest of South Somerset. Yeovil's largest sectors in terms of share of employment are: *Health; Manufacturing; Retail; Business administration & support services; and Professional, scientific, & technical activities*. *Manufacturing, Health, and Retail* are clearly important sectors across South Somerset, as these also account for large shares of the rest of South Somerset's employment. However, the rest of Somerset is also characterised by high shares in: *Primary industries; Accommodation & food services; and Education*. This illustrates the role of Yeovil as a key service centre in terms of retail, public administration and health.

Figure 2.7 Sector profiles of Yeovil vs rest of South Somerset (2019)



Source: HJA analysis of Business Register and Employment Survey, 2019

2.3 Business Demography

- 2.3.1 Data on the number of businesses in an area is available from UK Business Counts, which is an extract of the IDBR (Inter Departmental Business Register). Data is available for both the number of enterprises¹¹ and the number of local units¹².
- 2.3.2 The number of enterprises in South Somerset has remained stable since 2015, and as of 2019 was 7,150. This is not in-line with comparator areas which have all seen growth in the number of enterprises. The number of local units in the District was 8,300 in 2019. Over the period of analysis there has been an average of 1,130 more local units than enterprises.
- 2.3.3 Reflecting the trend across the country, the vast majority of enterprises in South Somerset are micro businesses (employing less than ten people). The District is in-line with comparator areas with respect to the proportion of enterprises operating within each employment category.
- 2.3.4 South Somerset has higher business survival rates¹³ than comparator areas based on the latest data for business births for all years post birth (up to five years).

2.4 Competitiveness

- 2.4.1 Data on the competitiveness of local economies can be found in the UK Competitiveness Index¹⁴ (UKCI). The UKCI provides a benchmarking of the competitiveness of different spatial scales across the UK, namely local authorities, cities, LEAs, and regions (but not counties). It is designed to be

¹¹ This is the overall business which can be made up of a number of sites or workplaces.

¹² These are individual sites such as a factory or shop associated with an Enterprise.

¹³ ONS Business Demography 2018

¹⁴ Huggins et al. UK Competitiveness Index 2019

an ‘integrated measure of competitiveness focusing on both the development and sustainability of businesses and the economic welfare of individuals’ (p7). The report considers competitiveness to be the capability of an economy to ‘attract and maintain firms with stable or rising market shares in activity’ (p7), while maintaining stable or increasing standards for residents.

- 2.4.2 The competitiveness of places in the UK are measured according to a number of factors, which are summarised in figure 2.8 below.

Figure 2.8: The factors of competitiveness

Input Factors
Economic activity rate
Business start-up rate
Number of businesses
Proportion of working-age population qualified to NVQ4
Proportion of knowledge-based businesses
Output Factors
GVA per head
Productivity (output per hour worked)
Employment rate
Outcome Factors
Gross weekly pay
Unemployment rate

Source: Huggins et al., 2019

- 2.4.3 These factors are combined to produce a score of 100 for the UK. A score below 100 indicates a less competitive place than average, and a score above 100 suggests a more competitive place. Districts and unitary authorities are ranked from one (the most competitive) to 379 (the least competitive).
- 2.4.4 The index shows a small decline in the competitiveness score for South Somerset which has led to a large decline in the rankings. Of all the Districts that have seen a decline, South Somerset has seen the smallest movement.
- 2.4.5 South Somerset scores below 100 and is ranked two thirds down the list of all local authority areas in the UK. This is a slight worsening of the position from the 2016 index.

Figure 2.9: UK Competitiveness Index score and rank

Area	2016		2019		Change	
	Score	Rank (of 379)	Score	Rank (of 379)	Score	Rank
Mendip	91.3	176	88.3	241	-3	-65
Sedgemoor	83.6	301	82.3	328	-1.3	-27
South Somerset	88.1	230	87.8	252	-0.3	-22
Taunton Deane	92.9	164	90.8	206	-2.1	-42
West Somerset	84.0	292	90.6	210	+6.6	+82

Source: UK Competitiveness Index 2016 and 2019

2.5 Summary

- 2.5.1 South Somerset is home to a resident population of 168,000 persons and accommodates 85,000 jobs.

- 2.5.2 The area has seen slow population growth in recent years, below that of comparator areas (Somerset, HotSW LEP area and GB). Growth is primarily fuelled by growth in the population of 65+ years. The working age population has been falling, which is inconsistent with comparator areas.
- 2.5.3 Economic activity rates and employment rates are generally high. Unemployment is low and has been declining. This starting point – high levels of economic participation and a low unemployment rate – mean there is little slack in the existing labour market on the basis of headline metrics. This has implications for the scale of future employment growth, which is discussed in Chapter 3.
- 2.5.4 Employment levels have been rising in recent years. The area has a job density broadly in line with comparator areas. Around 44% of employment is located at Yeovil as the key hub in the district.
- 2.5.5 Across the whole area the most concentrated sectors are:
- Agriculture;
 - Manufacturing; and
 - Motor trades.
- 2.5.6 The area is under-represented in:
- Professional services; and
 - Administrative services.
- 2.5.7 Yeovil is somewhat atypical of the broader area with stronger concentrations in office-based activities such as professional and administrative services as well as a significant concentration in the health sector given the location of the hospital.

3 Economic Forecasts and Scenarios

3.0.1 This chapter provides a summary of baseline economic forecasts for the South Somerset area, as well as consideration of alternative growth scenarios, taking account of available evidence.

3.1 Baseline or 'Business as Usual' Forecasts

3.1.1 Baseline or 'business as usual' forecasts were purchased from both Experian and Oxford Economics. These are two of the leading economic forecasters for UK local and regional economies. These were produced in March 2020 – as a result they do not take explicit account of the impact of Covid-19 and 'Brexit' on the economy. Analysis of this is set out later in the chapter.

3.1.2 There is also often discussion about whether forecasts should be termed 'policy on', 'policy off', 'baseline' or 'business as usual'. Each of these terms has helpful and unhelpful connotations. Nevertheless, there is a need to use some form of terminology within this report. We therefore clarify the following:

- The forecasts as initially provided by the forecasters are referred to in this report as *baseline* forecasts. This enables a contrast between the original forecast scenarios and any adjusted scenarios that might be considered.
- However, the forecasters' 'baselines' draw on historic economic performance of the area as one of the determining factors. They also draw on detailed analysis of national and sectoral economic potential. The forecasts are not therefore developed assuming a policy vacuum or absence. Whilst they are not developed with explicit reference to future local policy, the historic period on which they draw also included efforts from national, regional and local economic development stakeholders to deliver a prosperous economy. A level of economic development action is therefore inherent within the forecasts. For this reason, the term 'business as usual' can appear more helpful. However, this implies no consideration is taken of wider economic factors, which will determine the economic prospects of the UK economy. This would be a misinterpretation.

3.1.3 In order to validate the baseline forecasts there is a consideration of a range of factors including the future labour supply, impact of Covid-19 and economic policy ambitions.

3.1.4 The summary analysis set out below considers the historic period 2000-2020 and the forecast period 2020-2040.

Headline Economic Performance

3.1.5 Set out below is analysis of three key indicators of headline economic performance:

- Gross Value Added (GVA) – a measure of economic output
- Total Employment – a measure of total jobs including employment and self-employment
- Productivity – a measure of output per job

3.1.6 As a result of small discrepancies in the way data is modelled by the two forecasters the charts set out below use an index rather than absolute values. This ensures that the two datasets align at 2020, and makes it easier to interpret any divergence between the different approaches.

Gross Value Added (GVA)

- 3.1.7 Both forecasters indicate ongoing growth in GVA above historic levels, however, as can be seen from Figure 3.1, Experian anticipates slightly higher levels of growth than Oxford Economics (OE).
- 3.1.8 Over the historic period 2000–2020 OE assessed GVA growth as +0.9% per annum, lower than the +1.6% per annum by Experian.
- 3.1.9 Looking forward over the period 2020–2040 OE forecast GVA growth of +0.9% per annum and Experian of +1.6% per annum.
- 3.1.10 In both cases the forecasters are suggesting positive overall economic performance for South Somerset from 2020–2040 aligned with their own assessments of historic growth rates.
- 3.1.11 The higher GVA growth rate forecast by Experian is primarily a product of much higher growth expectations in employment.

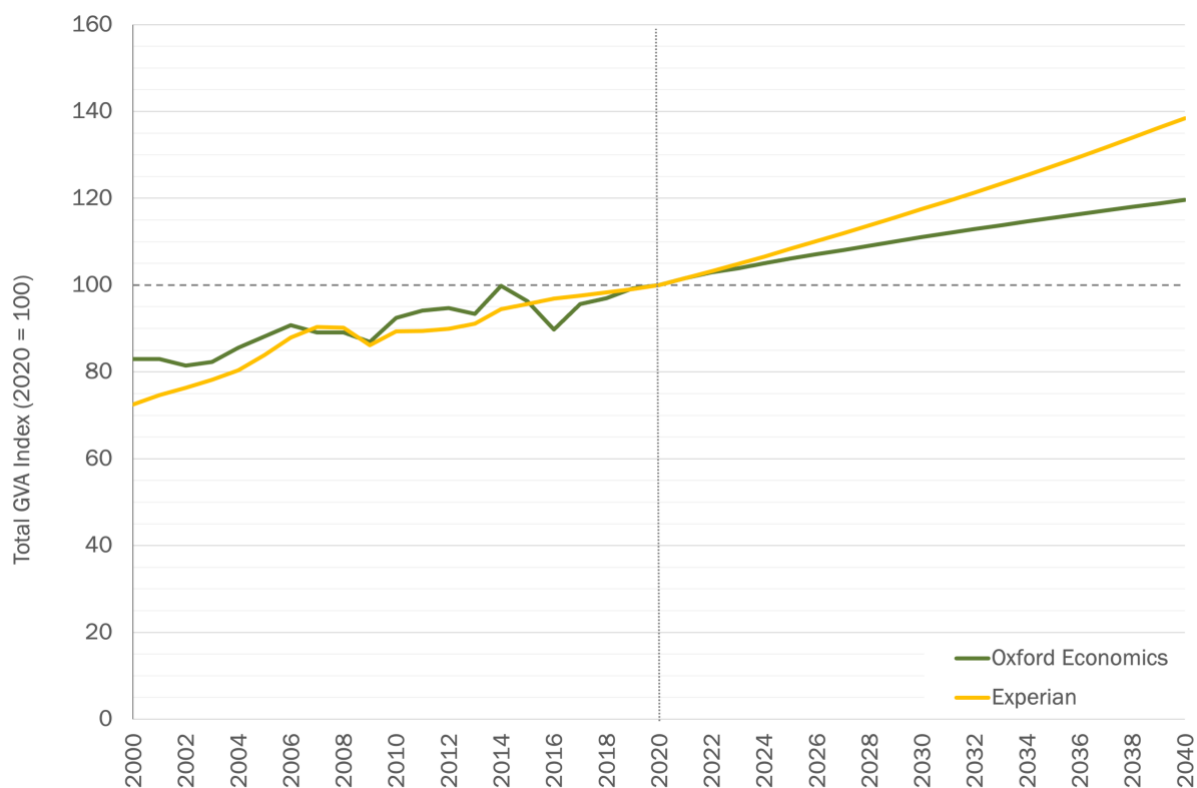
Total Employment

- 3.1.12 Figure 3.2 shows historic and forecast trends for total employment. Experian forecasts a continued growth in employment from 2020–2040 (+0.4% per annum), albeit at a lower rate than historic growth (+0.8% per annum 2000–2020). OE forecasts a reduction in total employment from 2020–2040 (–0.3% per annum), having experienced historic growth of +0.6% per annum from 2000–2020.
- 3.1.13 In absolute terms Experian is forecasting a growth of +6,630 jobs and OE a decline of –5,150 jobs over the 20-year period. This is a noteworthy difference between the two forecasters.
- 3.1.14 The sectoral differences that contribute to this substantial variation in future expectations are considered later in this chapter. There is also a discussion of the labour market and demographic context which impacts on employment growth potential.
- 3.1.15 There may also be implications of the two forecasters' approach to changes in part-time and full-time working. There is insufficient information provided by the forecasters to be categorical on this. However, Experian anticipate increasing levels of part time working across large parts of the service sector which leads to many more jobs being created than FTE (full time equivalent) jobs. FTE employment growth is 4,340, 65% of total employment growth. However, this trend is easing compared to the historic period 2000-2020 for which Experian model growth of 12,500 jobs and 4,700 FTEs in South Somerset showing the significant impact of rising part time working.

Productivity

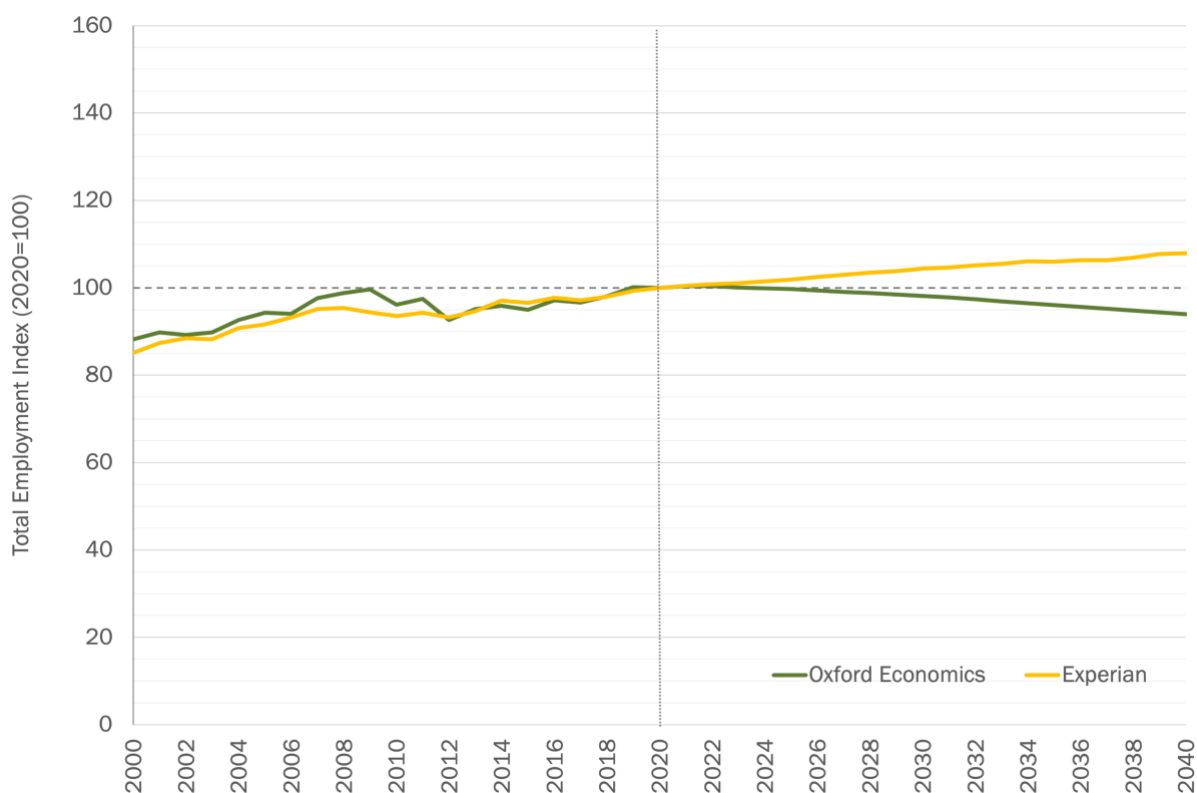
- 3.1.16 Figure 3.3 sets out analysis of headline productivity. This is a HJA calculation based on GVA per job from the two forecast outputs. This shows both Experian (+1.2% per annum) and Oxford Economics (+1.2% per annum) forecasting very similar future trends in productivity growth. This confirms employment as the key determinant of variation in GVA performance.

Figure 3.1 Total GVA index (2020=100)



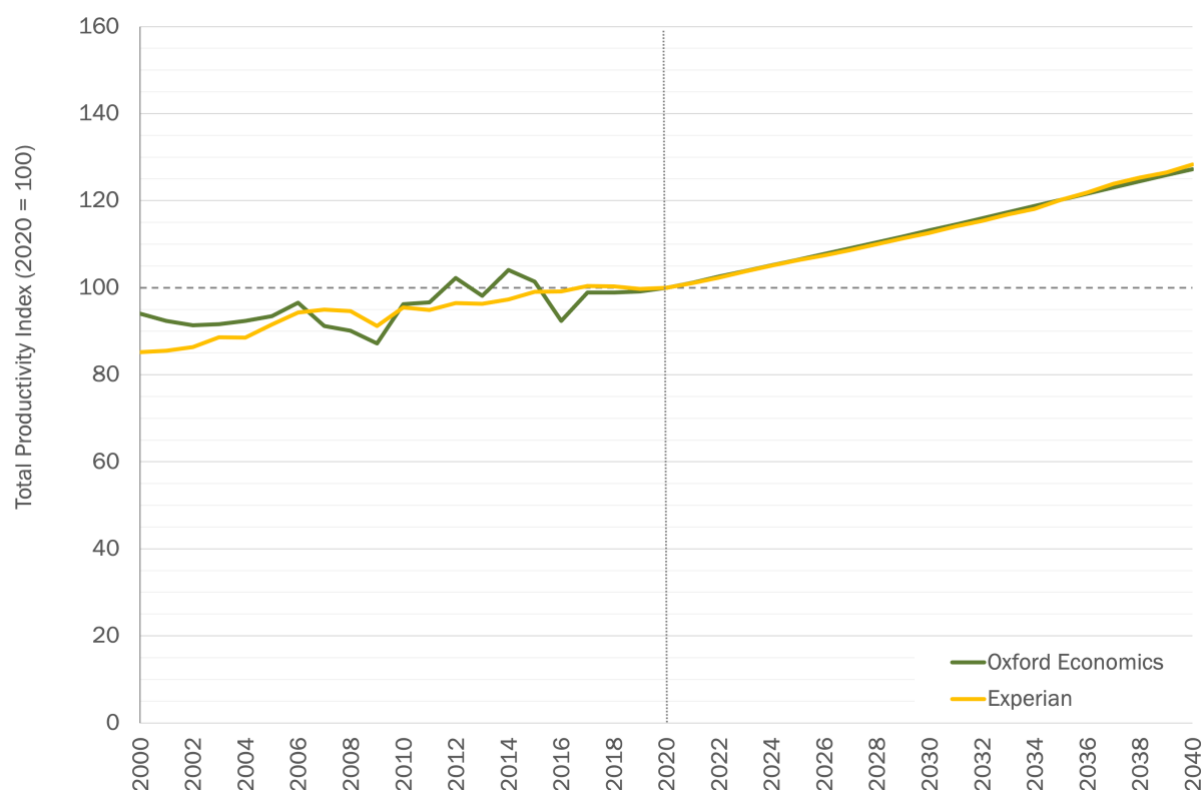
Source: HJA based on OE and Experian

Figure 3.2 Total Employment index (2020=100)



Source: HJA based on OE and Experian

Figure 3.3 Total Productivity index (2020=100)



Source: HJA based on OE and Experian

Demographic and Labour Market Summary

- 3.1.17 As noted in the economic baseline analysis in chapter 2, the starting point is high levels of economic participation and a low unemployment rate. There is therefore very little slack in the existing (pre-pandemic) labour market. There has also been a declining working age population across South Somerset in recent years.
- 3.1.18 The OE forecast suggests an overall decline in the total population of South Somerset over the period 2020-2040 (by some 1,200 persons over the entire period). This is primarily fuelled by a decline of 13,700 in the population of 16–64 year olds. Experian forecast a growth in the total population of 11,600 persons, but also an ongoing decline in 16–64 year olds of 4,300 persons.
- 3.1.19 Whilst both forecasters are anticipating a decline in the core working age population there is quite wide variation in the absolute scale of the forecasts. Both forecasters are anticipating unemployment remaining very low throughout.
- 3.1.20 The implications of these forecasts are a constrained labour supply to underpin employment growth. There is some circularity in this argument, as with limited employment opportunity the influence on migration patterns will be negative. However, this is one important factor in understanding the economic potential of the area and the associated employment forecasts, and hence the potential implications for employment land and housing.
- 3.1.21 Further analysis of how future demographic change relates to the baseline forecasts is set out at section 3.3.

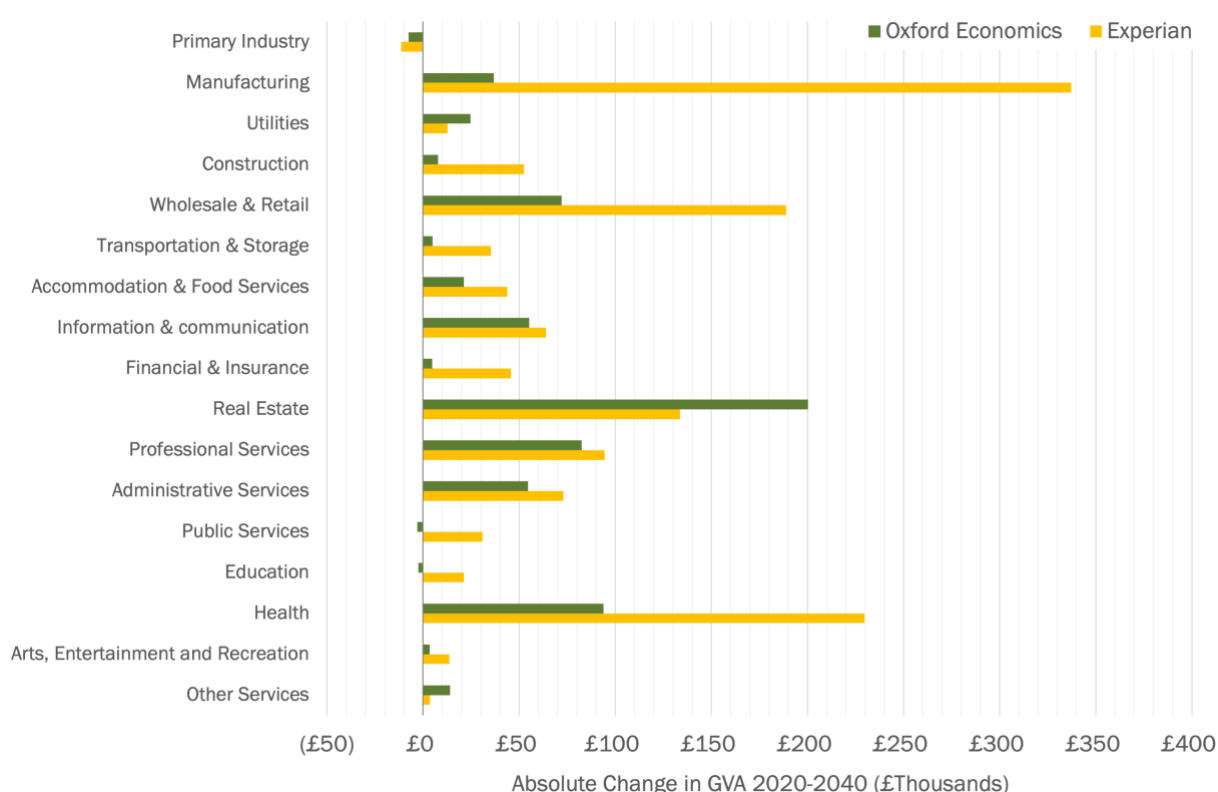
Sectoral Performance

- 3.1.22 A second key determinant of the employment forecasts of both OE and Experian are sectoral expectations. As noted in the economic baseline, South Somerset has a particular concentration

in manufacturing and relative under representation in professional and business services. This structure is a key factor underpinning the economic forecasts.

- 3.1.23 Figure 3.4 considers the change in GVA by sector. This shows that GVA is anticipated to grow for all sectors with the exception of *Primary industries* (comprising *Agriculture, forestry & fishing*, and *Mining & quarrying*), which shows a very small decline. There are some significant variations between the two forecasters, particularly for *Manufacturing*, *Wholesale & retail*, *Real estate* and *Health*. Following a review of sectoral productivity data, shown in Figure 3.6, and sectoral employment data in Figure 3.5, it is clear that employment expectations are the key determinant of overall sectoral GVA change, not productivity expectations (which are broadly consistent across the two forecasters).

Figure 3.4 GVA change by sector 2020-2040



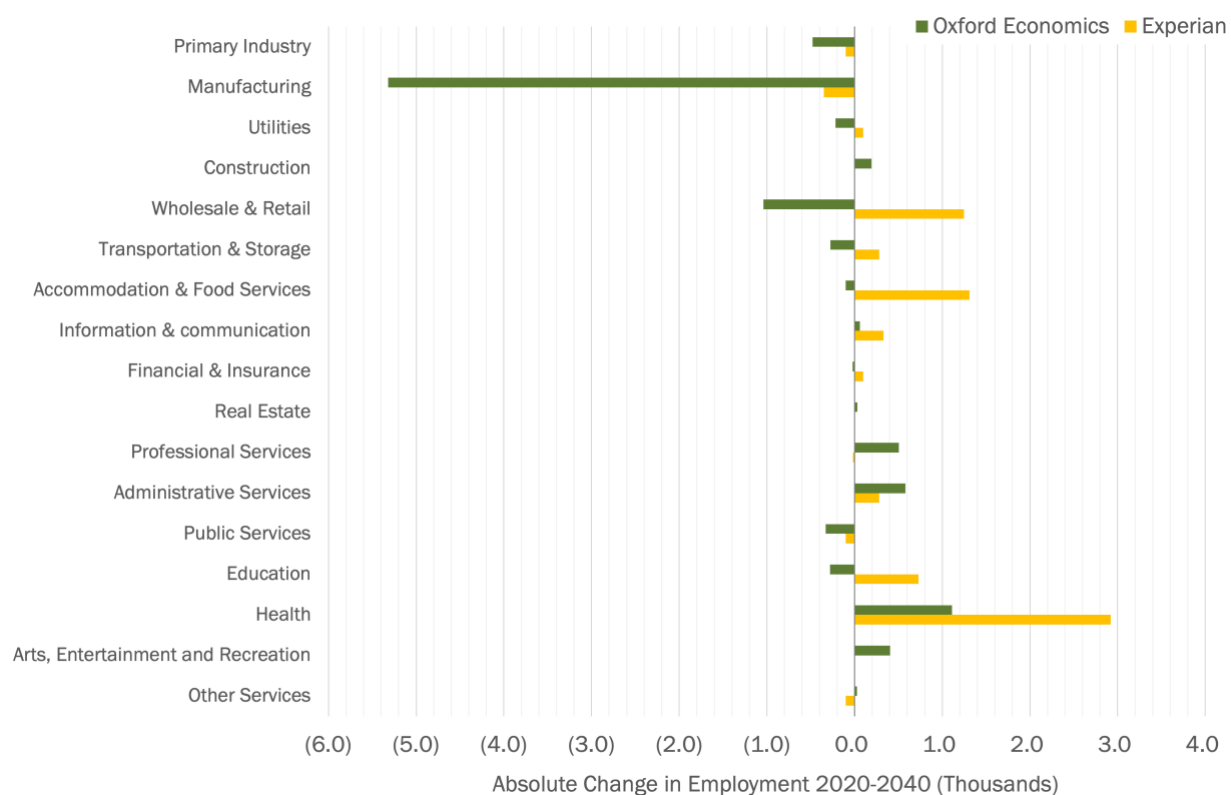
Source: HJA based on OE and Experian (negative values in parentheses)

- 3.1.24 Figure 3.5 sets out the variation in sectoral employment. This shows four major discrepancies in the expectations of sectoral employment growth between the two forecasters. *Manufacturing* is most stark, with the scale of anticipated employment decline by OE significantly greater than that forecast by Experian. This largely reflects OE expectations for the manufacturing sector generally, which coupled with the relative concentration of South Somerset in manufacturing activities, exposes it to this decline. Experian also has more positive expectations than OE for the *Wholesale & retail* sector, *Accommodation & food services* and the *Health* sector. There are minor variations in other sectors as well. As noted above, the forecasters' expectations of labour supply may also play a part in their modelling of future employment potential.
- 3.1.25 In broad terms, many of the sectoral differences between Experian and OE are similar to those previously identified in the 2017 analysis¹⁵. These differences demonstrate the alternate views of

¹⁵ South Somerset Employment Land Evidence: Long Term Economic Forecasting and Implications for Employment Sites and Premises

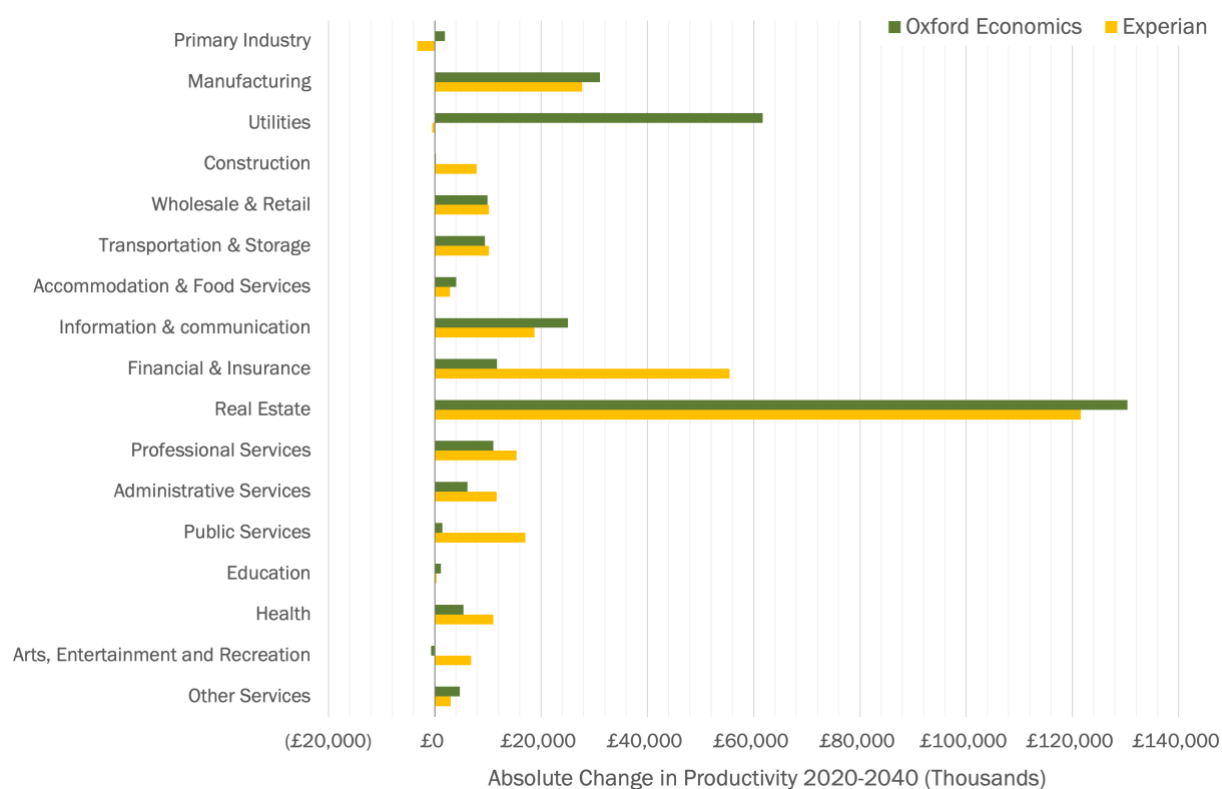
sectoral performance more broadly within the two forecasting organisations, and help to evidence the inherent uncertainty and subjectivity in forecasting the future of the economy. The means of responding to this should be through recognising the potential alternatives and ensuring flexibility to respond to such variations.

Figure 3.5 Employment change by sector 2020-2040



Source: HJA based on OE and Experian (negative values in parentheses)

Figure 3.6 Productivity change by sector 2020-2040



Source: HJA based on OE and Experian (negative values in parentheses)

- 3.1.26 Figure 3.7 provides discussion at a sectoral level to explore the differences between the two forecasters. Additional detail is set out for the manufacturing sector given its relative importance to South Somerset and the extent of the variation.

Figure 3.7 Sectoral variations

Sector	Commentary
Primary industry	Employment data for <i>Primary industries</i> , particularly <i>agriculture</i> is not always robust within the original ONS sources. Both forecast models indicate employment varying within a range of 2,000–3,000 jobs across the vast majority of the 2000-2040 historic and forecast analysis period. The sector accounts for approximately 2.5% of South Somerset employment. Both forecasters indicate a slight growth in employment within the sector between 2000–2020, but then modest falls in the 2020–2040 period. By the end of the period employment is forecast to be in the range of 2,000–2,200 jobs. This is deemed an acceptable range.
Manufacturing	As noted elsewhere, this sector is subject to very significant discrepancies between the two forecasters. There is a significant variation in the assessment of historic performance in the sector as well as forecast employment expectations. Experian indicates a fall of –5,300 jobs over the 2000-2020 period (–1.7%p.a.) followed by a loss of only –350 jobs in the 2020-40 period (–0.1%p.a.). This compares to OE, which indicates a fall of –2,700 jobs 2000-2020 (–0.9%p.a.) followed by further losses of –5,300 jobs 2020-2040 (–2.3%p.a.). What is striking is that OE takes a far more pessimistic view of the future and Experian a far more optimistic view, relative to their own historic assessments.

Sector	Commentary
	<p>In absolute terms Experian shows a fall in employment from 18,600 in 2000 to 13,300 in 2020 and then steadying around the 13,000 jobs mark for the forecast period. In terms of percentage share the sector falls from 26% of South Somerset employment in 2000 to 14% in 2040. OE starts from a lower base of 16,800 jobs at 2000, falling to 14,100 at 2020 and then further falls to 8,800 by 2040. In terms of percentage share the sector falls from 23% of South Somerset employment in 2000 to 11% in 2040. Because of discontinuities in official datasets it is not possible to point to a single source of data against which to benchmark the data. This is part of the reason why the forecasters have reached different conclusions within their own modelling of historic change.</p> <p>Across the entire period (2000-2040) both forecasters align in their expectations for significant falls in employment and a vastly reduced share of total South Somerset employment. However, the speed and scale of future losses are not at all aligned. Looking back to the previous analysis prepared by HJA in 2017 using the same two forecasting organisations there were similar expected trends. In economic development terms, the scale of potential losses is clearly a risk.</p> <p>HJA has undertaken further data analysis to understand the potential implications of these forecasts. Available data indicates that at 2019 there were approximately 500 manufacturing businesses in South Somerset of which around 80% were micro businesses (fewer than 10 employees) – there were only four sectors with a lower proportion of micro businesses (Health, Education, Accommodation & food, and Utilities). There are a small number of large manufacturing businesses (250+ employees), around 30 medium-sized businesses (50-249 employees), and around 75 small businesses (10-49 employees). Whilst there is no definitive data, it is likely that some 9,000–10,000+ (i.e. 70% or more) of the manufacturing employment base in South Somerset is concentrated within the c35 medium and large businesses. The fortunes of this small proportion of businesses (7% of the manufacturing business base in the district) will have a major impact on the overall performance of the sector. As a result, it is not unreasonable for there to be a wide range of potential outcomes.</p> <p>Overall the OE forecasts would appear to be highly pessimistic given available evidence on historic rates of change, and the Experian forecast would appear highly optimistic, given historic patterns. On that basis, a figure closer to the middle of the range is likely to provide a more sensible basis for planning, whilst acknowledging this is only indicative. As of January 2021 there has been an announcement of the planned closure of a large manufacturing employer which could impact c900 direct jobs.</p>

Sector	Commentary
Utilities	Employment in the <i>Utilities</i> sector increased by 400-600 jobs between 2000–2020 according to the two forecasting organisations. Forecast expectations range from a decline of –200 jobs to increase of +100 jobs. In absolute terms the range is fairly narrow.
Construction	The sector employs some 6,000–7,000 persons as of 2020. Employment has grown in the construction sector over the period 2000–2020. OE forecasts some further limited growth between 2020–2040, with Experian expecting no substantial change in employment numbers overall. The range of 0–200 additional jobs is unremarkable in absolute terms.
Wholesale & retail	<p>The <i>Wholesale & retail</i> sector has experienced employment decline between 2000–2020. However, the two forecasters model varying rates of decline. Overall the sector provides 12,000–13,500 jobs as of 2020.</p> <p>OE forecasts a reduction of around –1,000 jobs between 2020-2040. Experian forecasts around +1,000 additional jobs over the same period. Given the impact of Covid-19 accelerating the move to online retailing, as well as the increasing levels of automation in many retail environments, the upper end of this range appears unlikely.</p>
Transportation & storage	<p>The sector accounts for around 2,200 jobs as of 2020. Over the historic 20-year period employment has changed by a range of between –500 and ± 0 jobs as indicated by the two forecasters. Whilst there is some difference here, the evidence suggests no positive growth.</p> <p>Over the forecast period OE anticipates a decline of –250 jobs and Experian a growth of +250 jobs. This range is in keeping with historic data. The accelerated growth in online retail is likely to push growth towards the upper end of this range as a minimum.</p>
Accommodation & food services	<p>The sector accounts for around 5,500 jobs as of 2020. Employment has increased by between 2,000–2,200 jobs over the 20-year period to 2020. This is significant growth in terms of the relative size of the sector.</p> <p>Over the period 2020–2040 OE forecasts a very modest decline of around –100 jobs. Experian forecasts continued employment growth of some +1,300 jobs. This suggests a slowing in the absolute and relative scale of growth in the sector. Clearly there has been significant disruption to this sector as a result of Covid. Further analysis of the impact of Covid on long term employment trends is set out below. The range across the two forecasters allows consideration of alternative expectations. With potential growth in domestic tourism fuelled by Covid, there is a plausible driver for continued growth.</p>
Information & communication	The sector employed around 2,000–2,300 people in 2020. OE and Experian diverge in their analysis of how employment in the sector has changed over the period 2000–2020. Experian indicates growth of +600 jobs and OE a decline of nearly –500 jobs. This is a significant variance given the absolute size of the sector.

Sector	Commentary
	Both forecasters indicate growth in employment in the sector between 2020–2040 of 100–300 jobs. This is a more consistent direction of travel and in absolute terms the variation is minor. Given the rapid increase in the uptake of digital technologies as a result of Covid the upper end of this range may be more realistic.
Financial & insurance	<p>This is a small sector, employing 500–600 persons in 2020 following decline a of 400–500 jobs over the 20-year historic analysis period. The data is very consistent across the two forecasters.</p> <p>Looking forward OE anticipates a negligible decline in employment, with Experian anticipating a small growth. The range of 0–100 jobs is broadly consistent.</p>
Real estate	The <i>Real estate</i> sector employs around 1,100–1,400 persons in South Somerset as of 2020. The sector has experienced modest growth in absolute terms in the range 0–200 jobs between 2000–2020. Forecast growth is 0–100 additional jobs by 2040.
Professional services	<p>The <i>Professional Services</i> sector is estimated to comprise around 5,500–6,000 in South Somerset in 2020. Over the period 2000–2020 the sector is indicated to have grown by 1,900–4,600 jobs. This shows both forecasters identify significant growth in relative and absolute terms, although there is a substantial variation in scale.</p> <p>Whilst Experian reports a higher level of historic growth, they forecast minor/negligible employment decline between 2020–2040, whereas OE forecasts continued, but reduced growth of around +500 jobs. The forecast range is acceptable for considering the range of options.</p>
Administrative services	The sector employed around 5,500 persons in 2020. This followed growth of around 2,100–3,500 jobs since 2000, a significant relative growth. Employment is forecast to grow by 300–600 jobs over the 2020–2040 period. This represents a much slower rate of growth than the historic period, but continued growth nonetheless.
Public services	The two forecasters have notably different assessments of the size of the sector at 2020. Experian estimates 2,300 jobs and OE 4,700 jobs. Over the period 2000–2020 there is alignment in showing a decline of around –1,000 jobs in the sector. The 2020–2040 forecast period shows a continued but moderated decline of 100–300 jobs across South Somerset.
Education	South Somerset has around 5,600–6,200 jobs in the Education sector. This follows growth of some 1,000–1,500 additional jobs over the 20 year historic analysis period. There is some variation across the two sets of forecasts in terms of the future direction of employment, ranging from a decline of –300 jobs to an increase of +700 jobs. This will have no real impact on the employment land position.
Health	The <i>Health</i> sector employs around 11,000–11,500 people in South Somerset. This follows strong growth of 5,100–6,500 jobs between 2000–2020. Further growth is anticipated, ranging from 1,100–2,900 jobs. This will be underpinned by the continued ageing of the population and an increased focus on health following the pandemic.
Arts, entertainment & recreation	This sector employs around 2,000–2,200 persons as of 2020. This represents a growth of 800–900 jobs over the period 2000–2020.

Sector	Commentary
	Future expectations across the two forecasters range from 0–400 jobs additional jobs by 2040.
Other services	This sector employs around 2,600–2,700 people in South Somerset at 2020. This represents a modest rise of 100–200 jobs since 2000. The forecasters anticipate either zero or very minor employment decline of around –100 jobs by 2040 – therefore very little change is expected.

3.2 Impact of Covid-19

- 3.2.1 The baseline forecasts were prepared in March 2020, as the effects of the Covid-19 pandemic on the UK economy were just beginning. As a result, they do not take into account the effects of the pandemic.
- 3.2.2 Clearly the impact of Covid-19 has been significant and needs to be considered. The full effects are unlikely to be understood for some time, as official data is collected, analysed and released. HJA discussed this matter with the Council in order to plan the most appropriate response.
- 3.2.3 A Covid-19 economic impact analysis was undertaken by Oxford Economics on behalf of the South West Councils¹⁶. This considers the impact at UK, South West and county level, as well as providing some analysis at district level. This research was undertaken in the summer of 2020 before further lockdown measures were enforced. The analysis within this report was paused to ensure the results could be used to inform this study. A summary of the implications is set out below.
- 3.2.4 As a result of further lockdown measures after summer 2020 along with new economic data, the views of OE have changed, with additional negative impact in 2020 and the potential for a more sluggish recovery in 2021. An informal discussion with OE has taken place where it was indicated that whilst there will have been some downgrading below the central scenario (as set out below) including a slightly more sluggish recovery, the extension of Government support measures and strong vaccine roll out means that OE's latest baseline or 'central view' scenario remains more positive than the pessimistic scenario set out in this chapter.
- 3.2.5 It may be appropriate in the future to review and update this analysis, but at the current time it has been agreed to move forward with the evidence that is available for review, and to consider the potential implications of this for future employment land use. Particularly given the long-term time horizon to 2040.

Summary of Oxford Economics Analysis

- 3.2.6 The Covid-19 pandemic has impacted on both GVA and employment. The economic impact of the pandemic has been global. At the UK level the effects are widespread. It is not therefore a local or regional issue. However, there is some variation in impact. The variation results largely from the different sectoral structure of the economy in different geographies.
- 3.2.7 The Oxford Economics analysis for South West Councils considered three scenarios. A 'central scenario' which was the core scenario, alongside a more optimistic scenario, with a slightly quicker and stronger recovery; and a more pessimistic downside scenario. The bulk of the analysis is focused on the central scenario, with more limited analysis of the two alternatives.

¹⁶ Coronavirus: Economic Impact Scenarios for Somerset. A report for South West Councils. Oxford Economics. July 2020.

Central Scenario

- 3.2.8 This scenario assumes a 15% drop in GVA for the UK in Q2 2020 with a reasonably strong rebound. The overall 2020 effect is an 8% reduction in economic output, with a 7% recovery in 2021. Under this scenario the UK recovery returns to the same size as the end of 2019 in early 2022¹⁷. This leads to a 3% fall in employment in 2020 across the country. UK unemployment is anticipated to peak at 6.5%. Employment effects have been somewhat mitigated, at least in the short term, through government support mechanisms such as the Coronavirus Job Retention Scheme (or furlough as it is commonly referred to).
- 3.2.9 The most exposed sectors to the downturn are *Accommodation & food services* and *Arts, entertainment & recreation*. Other sectors that contract more than average are *Manufacturing* and *Transport & storage* (particularly the air travel and public transport sub-sectors).
- 3.2.10 The most resilient sectors are parts of the public sector and those activities that can most easily be undertaken at home, including Information & communication and business services.
- 3.2.11 Looking over the medium term from 2020–25, growth in economic output is forecast at +1.2% per annum compared to +1.5% pre-Covid. GDP is therefore forecast to be 2% lower in 2025 than was forecast pre-pandemic. Employment is forecast to grow at 0.4% p.a. cf. 0.5% pre-Covid.
- 3.2.12 Analysis for the South West region identifies it as amongst the hardest hit of all UK regions with employment falling by 3.7% in 2020 and unemployment peaking at 4.5%¹⁸. The medium-term recovery modelling indicates GVA and jobs growth rates below the UK average. The reasons for this weaker performance include:
- A high relative share in the most severely impacted sectors
 - A high relative share in sectors with lower future growth rates
 - A low relative share in the most resilient and highest growth sectors
- 3.2.13 Looking at Somerset, it is ranked fifth of the 15 upper tier areas in the South West region in terms of short-term GVA decline. The county is over-represented in *Accommodation & food services* and *Arts, entertainment & recreation* relative to the UK. The county is also heavily reliant on *Manufacturing* and under-represented in sectors suited to working from home.
- 3.2.14 Over the medium term the Oxford Economics modelling indicates higher levels of employment in most sectors by 2025 than before the pandemic. Job losses over the 2020–25 period are heavily concentrated in *Manufacturing*. The largest jobs growth sector is *Human health & social work*. Professional and business services also contribute significant jobs growth in absolute terms. There is also a forecast jobs recovery in *Accommodation & food services*, with +1,400 additional jobs across the county in 2025 than pre-pandemic. The *Arts, entertainment & recreation* sector is also predicted to have more jobs by 2025.
- 3.2.15 At district level, South Somerset has a similar reduction in GVA and job losses as Somerset. Over the medium term to 2025 South Somerset has the lowest level of forecast growth in Somerset, with GVA growth of 0.9% per annum and jobs growth of 0% per annum. This weak jobs performance is particularly fuelled by anticipated declines in the *Manufacturing* sector, losing 1,500 jobs by 2025. This cancels out forecast employment growth and recovery in other sectors.

¹⁷ Clearly there is also lost growth in this period that was forecast pre-pandemic.

¹⁸ However, the variation geographically is less pronounced than the effect by sector. The whole of the UK economy has experienced significant negative impact.

Downside Scenario

- 3.2.16 The pessimistic scenario includes a much larger 13% fall in GDP for the UK in 2020 and a more sluggish recovery. As a result, output does not return to the same levels as those seen at the end of 2019 until 2027. This is five years slower than the central scenario. Employment falls are greater in 2020 and continue into 2021, with unemployment peaking at 9% in 2021 before steadily falling as the recovery takes a firmer hold.
- 3.2.17 For the South West the pattern is very similar as the UK with the impacts being most prevalent in those sectors that are exposed to the effects of social distancing, falling consumer spending and being unable to work from home. There is also some reduction in *Professional, scientific & technical services* and *Administrative services*, which isn't present in the central scenario.
- 3.2.18 The same trend is present across Somerset. The level of jobs across South Somerset is some 1,600 lower in 2025 compared to the central scenario.
- 3.2.19 With increasing numbers of lockdowns since the analysis was undertaken, the downside scenario – or at least impacts on the downside of the central scenario – are a distinct possibility.

Upside Scenario

- 3.2.20 This is only modestly improved on the baseline, with a faster recovery in 2021. Given that the UK has been subject to further lockdown measures that have stalled the economic recovery, this is not considered in detail.

Longer Term Impact

- 3.2.21 Of particular relevance to this study is the longer-term impact, looking across the Local Plan Review period. In terms of legacy, Oxford Economics note that the structure of the economy is unlikely to change significantly, with the structure by 2025 very similar to that of 2019. However, there is an expectation that the prevalence of homeworking will increase.
- 3.2.22 HJA has compared available UK forecast data from Oxford Economics from its pre- and post-Covid modelling¹⁹. This allows comparison of the longer-term effects. This shows that whilst there is a permanent and substantial impact on GVA, meaning the overall size of the UK economy is expected to be smaller in 2040 than it would have been without the pandemic, employment levels at 2040 are expected to be very similar to those forecast before the pandemic. This is important for understanding future employment sites and premises uses, which includes considering the need to accommodate workers.
- 3.2.23 Even under the downside scenario, whilst employment may take slightly longer to return to pre-pandemic levels, the long-term the picture is the same.
- 3.2.24 Clearly there is a short-term impact that will affect the period 2020–2025. There may also be longer term impacts on the nature of employment workspace that is required. This is considered in a subsequent chapter. However, from a purely employment perspective the OE analysis provides a clear indication that the pre-Covid scenarios remain a relevant tool for long term strategic planning.

¹⁹ Consistent data at a lower geographical level was not available for assessment

- 3.2.25 One significant implication when considering data analysis will be to use 2018 or 2019 as a base year for future monitoring. 2020 data will be significantly impacted by the downturn and create skewed analysis²⁰.
- 3.2.26 A further related issue that will require careful monitoring is the extent to which people choose to migrate to the South Somerset area. This could have economic, demographic and housing implications. If there is a significant and lasting shift in the life choices made to move away from larger cities, this could have implications for places such as South Somerset.

3.3 Further Scenario Influences

Brexit

- 3.3.1 The baseline or business as usual forecasts were prepared after the UK had left the European Union and was within the Transition Period. However, the exact terms of the future trading relationship between the UK and the EU were uncertain.
- 3.3.2 The baseline forecasts included expectations of a trade deal between the UK and the EU. Such a deal has now been secured. There may be a range of short term impacts as businesses adjust to the new regulations, including on those sectors engaged in exporting activity. Early data suggests reduced levels of exporting to the EU over the early months of 2021, but this is further complicated by the economic effects of the Covid-19 pandemic. This will remain an important backdrop issue to monitor in terms of the wider impacts on the UK economy.

Labour Market

- 3.3.3 Comparison of labour market data from both OE and Experian and the demographic analysis undertaken by ORS as part of the Housing Need Assessment (HNA) allows consideration of whether alternative scenarios should be considered. A summary of the key outputs of this comparison is set out below.
- 3.3.4 Both OE and Experian show negative change in the population of under 16s and 16–64-years age groups. Any employment growth is therefore fuelled by (1) reducing unemployment; (2) changes in the net commuting balance; (3) those 65 years and older; or (4) higher economic activity rates.
- 3.3.5 OE forecast data indicates a reduction of 4,600 employed people across the Local Plan period. Breaking down the labour market metrics in more detail the forecast shows a fall in resident employment of some 2,950 persons. There is also a forecast change in net commuting of around 1,650 persons (i.e. more people out-commuting or fewer people in-commuting to South Somerset). At 2040 OE forecast a total net commuting balance of –10,000. That is 10,000 more workers out-commuting from South Somerset to other areas than in-commuters to the district. This is likely to be a result of reduced job opportunities in South Somerset. The change in the absolute number of unemployed people is estimated at around zero, which represents a slight increase in the rate relative to the 16–64 population given that it is declining.
- 3.3.6 ORS has undertaken very detailed demographic modelling, taking account of local circumstances. This can be helpful in corroborating or challenging the assumptions within the economic modelling. ORS has indicated that the growth in the economically active population, projected as a result of demographic modelling to inform the HNA, will be in the order of 2,200 persons. This compares

²⁰ For example, 2020 economic data is likely to be in the trough of a major recession. Comparing future years to this may give an inflated impression of growth, particularly if there is strong recovery in 2021.

to a reduction of 3,200 economically active residents inherent in the OE analysis. On this basis there would be additional labour supply to deliver higher levels of employment growth, before any adjustment in the net commuting balance. The challenge would therefore be to deliver higher levels of employment growth than the OE model is forecasting. Within the OE model, net commuting is a balancing variable – that means that the OE forecast suggests insufficient employment growth to meet labour supply, and therefore workers choose to commute out of the area to find work.

- 3.3.7 Experian analysis is similar in terms of the direction of key indicators although not as much detail is provided. It is not possible to calculate economic activity rates or net commuting rates from the dataset. Resident employment is forecast to rise by 6,500. This has to be fuelled through residents working into older age, a significant rise in economic activity rates²¹, or adjustment to the commuting balance with fewer out commuters or increased in-commuters. Comparing these figures with the 2,200 increase in economically active population estimated by ORS there is no suggestion of any excess slack in the labour force. In fact, the ORS analysis would suggest there is a potential restriction on labour supply that may make the much higher level of employment growth forecast by Experian challenging to achieve.
- 3.3.8 On the basis of this analysis no growth scenario higher than Experian is developed on the basis of labour supply. Looking at the two datasets in the round, a level of employment growth in the middle of the range may be more plausible from a labour market perspective. This would assume very little change in unemployment in line with the two sets of forecasts, participation by a significant proportion of the additional economically active population forecast by ORS, and no real change to net commuting. This would imply labour supply in the order of 2,000 additional workers, fuelled by the increases to the state retirement age and later working. To deliver employment growth above this would require a change in net commuting, either attracting workers that live outside the district or existing out-commuters changing their preferences.

Policy and Strategy

- 3.3.9 This review summarises the future growth plans and aspirations for South Somerset, and considers the policy position within the context of the current national and regional policy environment. A more detailed assessment is set out at Appendix 3 including analysis of UK and LEP level strategies (including the Local Industrial Strategy).

Somerset

Overall Ambition

- 3.3.10 There is a clear commitment to deliver sustainable economic growth across the county and enable a strong recovery from the Covid-19 pandemic.

Sectors

- 3.3.11 The Somerset Growth Plan highlights three high value sectors that will be key to the area's economic prospects over the coming decade: *Low Carbon Energy*, *Aerospace* and *Advanced Engineering*, and *Agri-Food*.
- 3.3.12 The Growth Plan proposes that a high-value *Low Carbon Energy* sector will be important to Somerset's economic growth. The operation of Hinkley Point C will play a significant role, as will

²¹ Unemployment is actually forecast to rise slightly over the period and the 16-64 years population and state retirement age population is forecast to decline.

the exporting of goods and services to the nuclear sector elsewhere in the UK and internationally. Tidal energy projects could also contribute.

- 3.3.13 Capitalising on the potential for a high value *Aerospace* and *Advanced Engineering* sector will be a policy focus through 2030. The South West already has a well-established *Aerospace* cluster, and Somerset has the opportunity to further strengthen in this sector, in particular by achieving significant export markets.
- 3.3.14 The Growth Plan suggests the *Agri-Food* sector has high-value potential and can generate significant exports. The Growth Plan highlights the *Food & drink* sector as a 'bedrock' sector in Somerset, with an opportunity to diversify the activity in this sector towards some high value activities.
- 3.3.15 The Somerset Recovery and Growth Plan includes *Digital & data* as a key sector for Somerset's economy in a post-Covid landscape.

Geography

- 3.3.16 The Somerset Growth Plan discusses where support will be focused within Somerset.
- 3.3.17 Support will be directed towards existing Enterprise Zones, and the allocation of new Enterprise Zones will also be considered where there is a proven business case for them.
- 3.3.18 Rail services will be improved within Somerset, focusing on the main lines to Bristol and London with the aim of delivering a 90-minute journey time from Taunton to London.
- 3.3.19 The dualling of A303 will improve connectivity to London and the South East, with Yeovil and Taunton set to benefit from this infrastructure improvement. A full upgrade of the A303/A358/A30 corridor to the south would further strengthen these towns' positions, and would boost a number of South Somerset towns and villages including Ilminster, Chard, Wincanton, Sparkford, Martock, and South Petherton.

South Somerset

Overall Ambition

- 3.3.20 South Somerset District Council has economic growth at the core of its ambitions.

Sectors

- 3.3.21 The South Somerset Economic Development Strategy highlights *Aerospace* and *Food & Drink* as key sectors.

Geography

- 3.3.22 The Economic Development Strategy discusses supporting both urban and rural economies reflecting the range of locations across South Somerset. This reflects the broad based strategy.
- 3.3.23 Infrastructure development, including the full rollout of high speed broadband and the commitment to A303 and A358 improvements are included as well as rail and 5G. This reflects the ambitions to strengthen both physical and digital infrastructure.
- 3.3.24 Maintaining a supply of employment land and high quality workspace is a key priority theme of the strategy.

Implications

- 3.3.25 The key sectors in South Somerset fall within the manufacturing sector which is subject to starkly different forecast prospects in employment terms. The importance of these sectors is well recognised and there are already plans in process to protect and strengthen these sectors.

3.4 Analysis

- 3.4.1 The preceding sections of this chapter set out a range of evidence and information including baseline forecasts, analysis of the impact of Covid and a range of other factors on potential economic scenarios for South Somerset.
- 3.4.2 The key findings are that there is a wide range of potential influences, a high degree of uncertainty and marked differences in the two sets of employment forecasts. Whilst the variation can largely be explained, there is a need to bring together the various strands of analysis to interpret the data and provide a basis for forward planning.

Scale of Growth

- 3.4.3 The two baseline forecasts indicate a range of employment growth from -5,200 to +6,600 jobs over the period 2020–2040. This demonstrates the potential for expert forecasters to reach quite different conclusions over the future trajectory of the economy. Consideration of the impact of Covid-19 indicates that whilst there will be a short-term jobs impact which will have effects through the first 5–7 years of the 2020s, by 2040 the level of employment is anticipated to reach pre-pandemic forecast levels. For this reason the original long term employment forecasts have been retained.
- 3.4.4 The labour market (pre-pandemic) at the start of the analysis period was tight, with high levels of participation and low levels of unemployment. The working age (16–64) population has been falling and therefore growth in employment will need to be fuelled by older workers, contributing to the workforce. However, there is some capacity for growth, with analysis by ORS indicating a growth of 2,200 economically active workers in the district.
- 3.4.5 The lower end of the employment forecast range (OE) includes a growth in net out-commuting from South Somerset and is therefore well below the capacity of the area. The upper end of the forecast range (Experian) suggests a level of growth beyond labour market capacity.
- 3.4.6 On this basis a figure between the two extremes of the range is likely to be better aligned to the labour market position.

Sectoral Mix of Growth

- 3.4.7 For the majority of sectors the discrepancy between the two forecasters is within what might be termed a reasonable range. For some sectors the scale of difference is more marked, partly because these are large sectors and hence the discrepancy can be emphasised, and partly because of different expectations on sectoral performance reached by the two sets of forecasters.
- 3.4.8 Taking the lowest and highest ends of the range for each sector leads to total employment change of +6,700 to +8,200. This illustrates how the different forecast models are not consistently at the upper or lower ends of the range, but take varying views on a sector by sector basis.
- 3.4.9 In order to provide a robust evidence base the alternative scenarios have been developed:

- A 'mid-point' scenario drawing on each of the two forecasters. This creates a total employment growth for South Somerset of +700 jobs over the period 2020–2040.
- A 'hybrid' scenario, which builds on the mid-point scenario, but adopts the upper end of the range for *Transportation & storage*, *Accommodation & food services*, and *Information & communication* drawing on the conclusions set out in Figure 3.7. This leads to a total jobs growth of +1,900 over the 2020–40 period in South Somerset.

3.4.10 These will be considered alongside the original OE and Experian scenarios as well as consideration of the 'upper' range to ensure policy development related to the provision of employment sites and premises is not artificially restrictive of potential sectoral growth. Scenarios provide a very helpful tool in times of uncertainty, and also allow some sensitivity testing to see how variable key measures are to the alternative future trajectories.

3.4.11 Figure 3.8 summarises the employment change by sector across these scenarios.

Figure 3.8 Forecast employment change scenarios by sector 2020-40

Sector	OE	Experian	Lower	Central	Upper	Hybrid
Primary industry	(500)	(100)	(500)	(300)	(100)	(300)
Manufacturing	(5,300)	(400)	(5,300)	(2,800)	(400)	(2,800)
Utilities	(200)	100	(200)	(100)	100	(100)
Construction	200	-	-	100	200	100
Wholesale & retail	(1,000)	1,300	(1,000)	100	1,300	100
Transportation & storage	(300)	300	(300)	-	300	300
Accommodation & food services	(100)	1,300	(100)	600	1,300	1,300
Information & communication	100	300	100	200	300	300
Financial & insurance	-	100	-	-	100	-
Real estate	-	-	-	-	-	-
Professional services	500	-	-	200	500	200
Administrative services	600	300	300	400	600	400
Public services	(300)	(100)	(300)	(200)	(100)	(200)
Education	(300)	700	(300)	200	700	200
Health	1,100	2,900	1,100	2,000	2,900	2,000
Arts, ent. & recreation	400	-	-	200	400	200
Other services	-	(100)	(100)	-	-	-
Total	(5,200)	6,600	(6,700)	700	8,200	1,900

Source: HJA based on Oxford Economics and Experian. Figures may not sum due to rounding. Negative numbers in parenthesis

Economic Development Challenge

3.4.12 The evidence identifies that if performance is closer to the lower end of the range there is an economic development challenge. There is already policy and strategy in place to support the growth of the economy at district, county and LEP level, as well as endeavours at national level. It is important to recognise where the challenges lie, and that achievement of the upper end of the range is not guaranteed. The sectoral profile of the South Somerset economy is at risk if manufacturing employment continues to contract significantly.

3.5 Summary

3.5.1 Baseline forecasts from OE and Experian suggest employment change across the Plan period between losses of –5,200 and growth of +6,600 jobs. Two sets of forecasts have been used to capture a broader range of opinion on the future trajectory of the economy.

- 3.5.2 Overall growth rates are anticipated to be lower than the 2000–2020 period. In part this is as a result of a tight labour market and unfavourable demographics. The majority of employment growth will be reliant on workers participating in the labour market beyond 65 years of age.
- 3.5.3 There are wide variations in sectoral employment changes forecast by OE and Experian. OE anticipates the largest employment gains in *Health, Professional services, and Administrative services*. Experian anticipates the most significant gains in *Health, Accommodation & food services, Wholesale & retail, and Education*. One of the most significant divergences between the two forecasts relates to the prospects of the *Manufacturing* sector. Following a review of the available data it is likely that the two forecasts mark the two extremes of likely outcomes, with a figure in the middle of the range more appropriate. This would still mark a continued decline in the sector in employment terms.
- 3.5.4 Analysis of the impact of the Covid-19 pandemic on the economy is only partial at present, with the crisis ongoing. However, analysis by Oxford Economics for the South West Councils shows that whilst there will be a substantial and lasting impact on GVA, in employment terms there will be a recovery. Depending on the scenario (central or pessimistic) the recovery may take longer to be made in full. However, by 2040 the post-Covid employment level is the same in South Somerset as in the pre-Covid forecast, with very limited sectoral change.
- 3.5.5 A range of other economic influences have been considered in order to test the baseline scenarios. Analysis of demographics undertaken for the Housing Needs Assessment suggests limited labour supply to fuel employment growth, meaning the higher levels of employment growth forecast by Experian may be challenging to deliver. However, the very negative forecasts set out by OE appear overly pessimistic in terms of the labour supply position and would lead to increased net out commuting.
- 3.5.6 On this basis it is not appropriate to test significantly higher employment growth scenarios. However, given the levels of uncertainty in both the economy and the commercial market there will be a need for flexibility in terms of employment land policy and provision to cater for unexpected changes. A position between the two forecasters positions is likely to be a reasonable basis for planning, but understanding the two ‘book-ends’ will be helpful given the range of opinions and significant degree of uncertainty present at the current time following Covid and Brexit.
- 3.5.7 Mid-point and hybrid scenarios have been developed which provide some means of considering options towards the centre of the range and closer to the balanced labour market position.

4 Future Employment Sites and Premises Requirements

- 4.0.1 The preceding chapter considered potential economic and employment scenarios for South Somerset. This chapter sets out analysis of the associated employment sites and premises requirements arising from future growth and to underpin a strong local economy.

4.1 Approach

- 4.1.1 Figure 4.1 provides a summary diagram of the approach employed to assess future sites and premises requirements.

Figure 4.1 Approach to assessing sites and premises requirements



- 4.1.2 The first phase takes account of the net changes in the economy i.e. the growth and decline of particular sectors. The sectoral employment projections are converted to Use Classes. This provides an indication of the spread of future employment change across the full range of planning Use Classes and none. From that point onward the focus is upon Use Classes E(g)²² [offices, R&D and light industrial], B2 [general industrial], and B8 [storage and distribution], with other elements of the evidence base more suited to informing the detailed requirements for C, other E uses except for E(g), and Sui Generis. The net employment changes in the E(g), B2, and B8 Use Classes are then converted to property and land requirements using employment and development density assumptions.
- 4.1.3 The second phase then considers wider market factors, particularly the need to recognise the churn in the economy and the associated need to replace and upgrade property stocks. For example, whilst the manufacturing sector as a whole has experienced well-documented decline in its employment base, there has been a continued demand for new premises within which to operate. This demand can be driven by existing companies needing more/less space, a different location, or a different type of premises. It can also be driven by new companies in the market, which may not find the right type of property available in the right location within the market. As a result, whilst overall a sector may be in decline (although this still applies to growing sectors too), there are changes beneath the surface that continue to drive demand. This can be a particular issue where existing stocks are ageing or where vacant sites are no longer in the locations that are suitable to modern occupiers. This also ensures provision is made for replacing sites that might be lost from employment use to other uses. Also within Phase 2 the assessment builds in an

²² During the course of undertaking this analysis the Use Classes Order was amended. The former B1 Use Class was changed to become part of a new E Use Class. For the purposes of this study it was agreed that the analysis would largely proceed as anticipated, but uses that were previously referred to as B1a, B1b and B1c would be referred to by their new Use Classes E(g) i-iii. In practical terms these Use Classes comprise office uses, research and development activities and light industrial activities.

allowance for choice and flexibility. This element needs to take account of offering location choice as well as choice in terms of the type of property and setting.

- 4.1.4 Within the detailed assumptions employed as part of this model, local evidence has been used to ensure the approach is appropriate to the South Somerset area. These assumptions have also been tested through consultations and a workshop with commercial property market stakeholders active in the local market.
- 4.1.5 The results of the assessment approach are also validated through a review of historic levels of development activity as recorded through the Council's monitoring records, and through the stakeholder engagement process.
- 4.1.6 Further details of the method are set out within the remainder of the chapter and supporting appendices. For ease of reading all figures are rounded throughout this chapter. As a result some tables may not sum. Negative values are set out in parentheses.

4.2 Phase 1 – Net Additional Changes

Employment Change by Use Class

- 4.2.1 Employment change by sector is converted to Use Class using the conversion matrix set out at Appendix 5 to this report. This matrix has been tailored to the South Somerset economy using fine-grained employment data from the ONS BRES dataset. A headline schedule of Use Classes is set out at Figure 4.2 for those that are not familiar with the terminology.
- 4.2.2 Figure 4.3 illustrates the employment change by Use Class across the Plan period. This is helpful to understand a number of key points. Firstly, employment is spread across many Use Classes and none. Employment is not confined to the E(g), B2, and B8 use classes (traditionally referred to as the employment Use Classes). A significant share of growth (12%–28%) is forecast in the 'none and homeworking' category. This includes not only home-based workers but also those such as cleaners that work in the workplace of others, or itinerant workers such as many in the construction industry.
- 4.2.3 The core analysis draws on evidence for pre-pandemic levels of homeworking. The long-term effects on working from home (for those occupations that are suitable for homeworking) are as yet uncertain, as are the implications for associated office use (it is primarily office-based activities that are affected). It is unwise, in the midst of the crisis, to make bold judgments about long-term trends. Much of the commentary suggests there may be a middle ground or hybrid model with increased levels of working from home for at least part of the working week, increased use of virtual meeting tools to reduce travel, alongside part-time working within offices, particularly to enable ongoing collaboration. Where on the continuum – from 'full return to office' to 'hybrid' to 'full working from home' – companies settle will need to be monitored carefully. The implications for different place typologies may also differ with the potential for work hubs and co-working facilities in secondary and tertiary centres, and relocations away from major cities postulated by some commentators. It would be unwise to fix long-term planning on the basis of conjecture, but wise to allow sufficient flexibility in policy alongside careful monitoring.

Figure 4.2 Use Classes summary

Use Class	Description
B2	General industrial
B8	Storage or distribution
C1	Hotels
C2	Residential institutions
C2a	Secure Residential Institution
E(a)	Display or retail sale of goods, other than hot food
E(b)	Sale of food and drink for consumption (mostly) on the premises
E(c)(i)	Financial services
E(c)(ii)	Professional services (other than health or medical services)
E(c)(iii)	Other appropriate services in a commercial, business or service locality
E(d)	Indoor sport, recreation or fitness
E(e)	Provision of medical or health services
E(f)	Creche, day nursery or day centre
E(g)(i)	Offices to carry out any operational or administrative functions
E(g)(ii)	Research and development of products or processes
E(g)(iii)	Industrial processes
F1(a)	Provision of education
F1(b)	Display of works of art
F1(c)	Museums
F1(d)	Public libraries or public reading rooms
F1(e)	Public halls or exhibition halls
F1(f)	Public worship or religious instruction
F1(g)	Law courts
F2(a)	Small shops in isolated locations
F2(b)	Halls or meeting places for the principal use of the local community
F2(c)	Areas or places for outdoor sport or recreation
F2(d)	Indoor or outdoor swimming pools or skating rinks
SG	Excluded from classification, or fall outside defined limits of another use

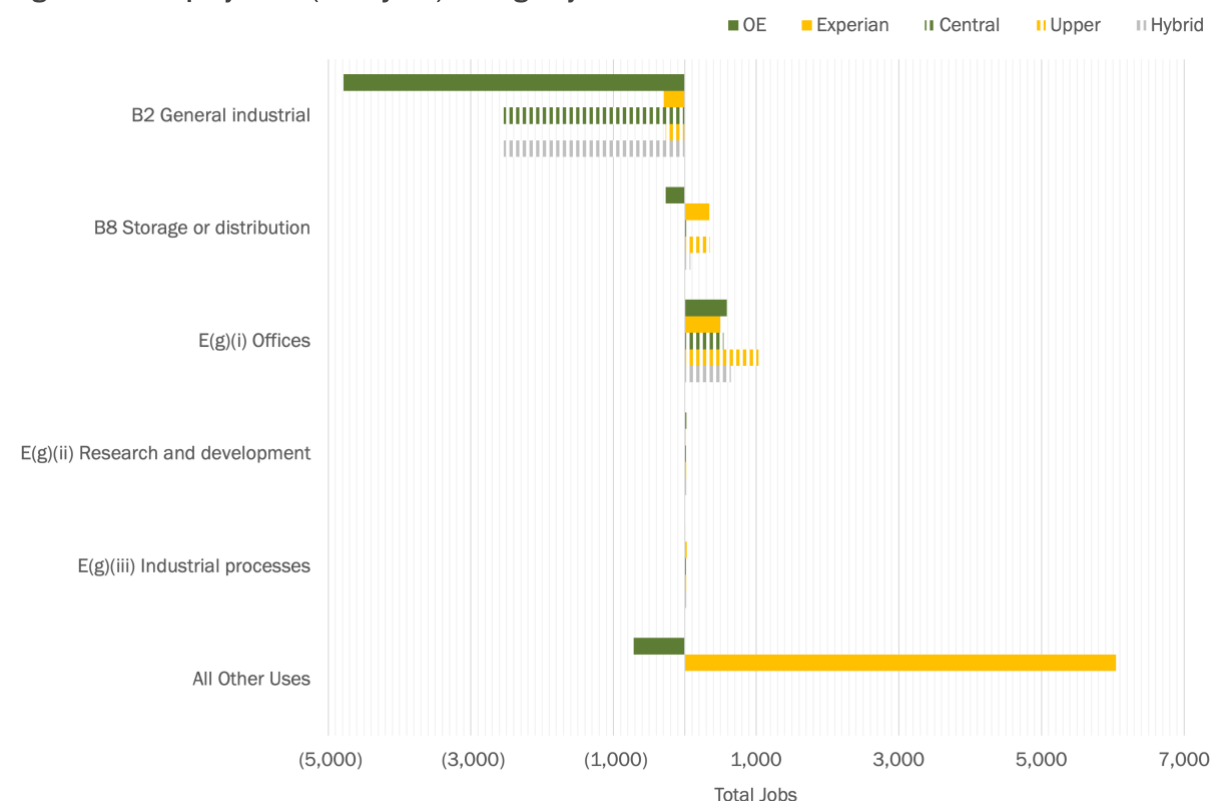
4.2.4 The Oxford Economics and Experian baseline scenarios are used to provide a range, reflecting the differing views of economic potential, as discussed in the previous chapter. The position of each forecasting house suggests that, on the basis of historic data, a range of future outcomes are possible. This divergence was also evident in the previous work carried out by HJA, where a midpoint scenario was considered to allow for the contrasting outlooks. In particular:

- There is a significant contrast between the two forecasters in outlook for the future of the Manufacturing sector. This translates to a large difference in projected employment in B2-use class activities.
- There is a difference in outlook with regards to the future prospects of employment in B8 use-class activities – OE projects a decrease in employment, whilst Experian projects an increase. Although in absolute terms the difference is not as stark as B2-use class employment, the views present two very different future outcomes in B8-use employment activities.
- There is also a different outlook with regards to the future prospects of employment in ‘None + Homeworking’ activities – OE projects a decrease in employment, whilst Experian projects an increase. The absolute projections for such activities are significantly different. However, this does not have significant implications for employment land or workspace.

4.2.5 To address this a number of alternative scenarios have been developed as summarised in chapter 3. These provide a midpoint ('Central') and 'Hybrid' scenario. An 'Upper' limit scenario, taking the most positive view for each sector from the two forecasters is also presented to consider what might be considered the largest requirement for sites and premises.

4.2.6 Figure 4.3 shows the spread of jobs change across the core 'employment' Use Classes. Appendix 4 provides a table setting out the detail across all Use Classes and none for each of the scenarios.

Figure 4.3 Employment (total jobs) change by Use Class 2020-40



Source: HJA (negative values in parentheses)

Net B Use Class Floorspace Changes

4.2.7 The summary below provides high level analysis by Use Class. All totals are reported as gross external area (GEA). The detail behind the assumptions is set out in Appendix 5.

4.2.8 The analysis assumes a direct link between employment and floorspace required. It is appropriate to caveat this approach with two important points.

- Firstly, if there is capacity within the existing stock of premises there will be the opportunity to accommodate some employment increases without the need for new space.
- Secondly, if there are changing working practices the ratio between workers and floorspace could change over time.

4.2.9 The first of these issues is dealt with via consideration of vacancy and under-utilisation, which has been tested through consultations. No specific evidence relating to under-utilisation has been cited in our research. It is therefore assumed that whilst some occupiers may well be under-utilising their current facilities others may well be operating above capacity. Over the course of the Plan period there is an opportunity for adjustment. A frictional vacancy rate of 5-10% is typical to enable the efficient workings of the market. There is also the fact that some stock is unsuitable. The

Covid-19 pandemic may lead to some business closures and release of floorspace onto the commercial market. As the employment scenario work factors in a full recovery in employment this should not be seen as permanent vacancy.

- 4.2.10 The second issue of changing working practices is considered at Appendix 5. In summary this concludes that whilst within the office sector there has been a trend towards occupation at increasing density, there is some evidence that this trend has now levelled off. Further the issues associated with future office use following the Covid-19 pandemic (discussed at 4.2.3 above) may have implications. However, when interpreting the results it should be considered that if the recent historic trends in increasing office densities did continue there may be scope for a lower requirement for new office development than set out within this analysis.

E(g)(i) Offices (previously B1a)

- 4.2.11 Approximately 490–590 net additional office-based jobs are estimated within the forecast period based on the original forecasts. This equates to between 100–140 net additional full time equivalent jobs (FTE)²³. Best practice guidance²⁴ has informed the assumption of 13.2 sq m (GEA) per FTE worker. On this basis it is estimated that 1,400–1,900 sq m of net additional office space will be required across the district to accommodate this growth.
- 4.2.12 The Central and Hybrid scenarios suggest a range of 540–640 net additional jobs, and an associated floorspace requirement of 1,600–2,600 sq m. The Upper scenario is as high as 1,030 jobs and an associated floorspace requirement of 5,900 sq m.

E(g)(ii) Research & Development (previously B1b)

- 4.2.13 The economic forecast model estimates an increase of approximately 10–20 jobs within R&D accommodation. This equates to between 10–15 FTEs, and at a density of 60 sq m per FTE a requirement for between 600–900 sq m of premises to accommodate these jobs.
- 4.2.14 The Central and Hybrid scenarios indicate approximately 20 net additional jobs, and an associated floorspace requirement of 800–1,000 sq m. The Upper scenario increases the figure to 30 jobs and an associated floorspace requirement of 1,500 sq m.

E(g)(iii) Light Industrial (previously B1c)

- 4.2.15 Very little change is forecast in light industrial premises – an estimated increase of approximately 10–30 jobs. In the conversion of total jobs to FTE jobs, this actually translates to a decrease in FTE jobs in absolute terms – the economic forecast model estimates a loss of between (20)–(40) FTE jobs²⁵. At a density of 56.4 sq m per FTE job this generates a requirement ranging from a loss of (1,200)–(2,400) sq m of premises.
- 4.2.16 The Central and Hybrid scenarios indicate approximately 20 net additional jobs and a figure of 40 jobs at the upper limit. As above, the conversion to FTEs translates to a fall in total employment, as a result of increases in part-time working fuelling the increases in jobs. The net floorspace requirement is therefore negative at (1,500)–(1,800) sq m under the Central and Hybrid scenarios, and (800) sq m under the Upper scenario.

²³ The reason for the significant reduction from jobs to FTEs is the forecast increase in part time working across the existing workforce in office based sectors. It is not a result of micro jobs equivalent to <0.2FTE.

²⁴ HCA (2015) Employment Density Guide, 3rd edition is the primary source. Appendix 1 sets out further details of the approach taken.

²⁵ The fact that FTE decline is greater than jobs decline is not a typographical error. A number of sectors contribute employment use classes. Some sectors with greater rates of part time working are forecast to grow, whilst others with low levels of part time working are forecast to decline. The offsetting adjustment is a greater level of decline in FTE terms than in jobs terms.

B2 General Industry

- 4.2.17 Employment within B2 premises is forecast to decline by between (300)–(4,800) jobs over the Plan period. The OE forecast predicts the most job losses here. This equates to a loss of between (400)–(4,800) FTEs²⁶. This has the potential to reduce the total requirement for such space by between (15,500)–(179,900) sq m at 37.8 sq m per FTE job.
- 4.2.18 The Central and Hybrid scenarios suggest a decline of (2,500) net additional jobs, and an associated net floorspace decline of (97,700) sq m. The Upper scenario indicates a decline of only (270) jobs and an associated floorspace decline of (15,000) sq m.

B8 Storage & Distribution

- 4.2.19 The economic forecast model estimates changes in total jobs equating to a range of up to (270) job losses and up to 350 jobs gained. This equates to a range of up to (220) FTE jobs lost and up to 280 FTE jobs gained. Based on a density of 80 sq m per FTE this will generate a requirement ranging from a loss of (17,500) sq m to a gain of 22,000 sq m of storage and distribution warehousing.
- 4.2.20 The Central and Hybrid scenarios suggest a range of 40–80 net additional jobs, and an associated floorspace requirement of 2,300–5,300 sq m. The Upper scenario suggests an additional 350 jobs and an associated floorspace requirement of 22,300 sq m.

Summary

- 4.2.21 Figures 4.4–4.6 summarise the employment and floorspace changes arising from net changes in the economy. The total floorspace change is not provided as a single sum as each Use Class is not necessarily interchangeable.
- 4.2.22 When considering just the forecast net changes in the economy there is an expected reduction in the overall requirement for industrial space as a result of further employment declines in the manufacturing sector. These could be significant. The direction of travel in the warehousing sector is uncertain based on employment forecasts although the vast majority show a net requirement. There is some growth anticipated in office and R&D activities, however this is fairly modest in absolute terms.

Figure 4.4 Forecast net changes in employment (total jobs) 2020–2040

Use Class (as of 1 September 2020)	Oxford Economics	Experian	Mid-Point	Hybrid	Upper
B2	(4,790)	(290)	(2,540)	(2,540)	(270)
B8	(270)	350	40	80	350
E(g)(i)	590	490	540	640	1,030
E(g)(ii)	20	10	20	20	30
E(g)(iii)	10	30	20	20	40
Total	(4,430)	590	(1,920)	(1,770)	1,190

Source: HJA (figures may not sum due to rounding, negative values in parentheses)

²⁶ See footnote 25.

Figure 4.5 Forecast net changes in employment (FTE jobs²⁷) 2020–2040

Use Class (as of 1 September 2020)	Oxford Economics	Experian	Mid-Point	Hybrid	Upper
B2	(4,760)	(410)	(2,580)	(2,580)	(400)
B8	(220)	280	30	70	280
E(g)(i)	140	100	120	200	450
E(g)(ii)	20	10	10	20	20
E(g)(iii)	(40)	(20)	(30)	(30)	(10)
Total	(4,860)	(40)	(2,450)	(2,330)	340

Source: HJA (figures may not sum due to rounding, negative values in parentheses)

Figure 4.6 Forecast net changes in floorspace (based on FTE jobs) 2020–2040

Use Class (as of 1 September 2020)	Oxford Economics	Experian	Mid-Point	Hybrid	Upper
B2	(179,900)	(15,500)	(97,700)	(97,700)	(15,000)
B8	(17,500)	22,000	2,300	5,300	22,300
E(g)(i)	1,900	1,400	1,600	2,600	5,900
E(g)(ii)	900	600	800	1,000	1,500
E(g)(iii)	(2,400)	(1,200)	(1,800)	(1,500)	(800)

Source: HJA (figures may not sum due to rounding, negative values in parentheses)

4.3 Phase 2 – Replacement, Churn, Flexibility

- 4.3.1 Phase 1 considered only the net changes in the economy to ensure all E(g), B2, and B8 use class activity can be accommodated within the district. Phase 2 deals with the need to ensure the existing economy, and the on-going changes within it, are supported through the provision of sufficient employment stocks.
- 4.3.2 The methodology employed for estimating the level of replacement demand assumes that a proportion of the total existing stock of employment property needs to be replaced each year to ensure the overall stock of premises is sufficient and appropriate to modern needs, in terms of both building quality and site characteristics. This is particularly important for the manufacturing sector where on-going development of industrial premises has been observed, despite a decline in employment in the sector over many years. With a potential change in the way office space is configured after the Covid-19 pandemic this may increase pressure for more modern office supply that can be used more flexibly.
- 4.3.3 With Permitted Development Rights (PDR) now in place and their scope broadened there is increasing pressure for redevelopment of office and light industrial stocks to other uses. The introduction of the E Use Class also carries the possibility of wider erosion of some former B1 stocks to other uses. There are also losses of employment property for other reasons, whether occupation by non-employment users (e.g. the growth in leisure occupiers) or redevelopment for

²⁷ It is important to recognise that the figures relate to change between two set points in time (2020 and 2040). The FTE figures are a function of the total jobs figures, however the FTE ratio changes over time.

In the case of industrial premises, the sectors which have the greatest influence over these uses (Manufacturing and Transportation & Storage in particular) have high FTE ratios to begin with, and this either remains high or gets higher over the period. Therefore, the difference between total jobs and FTE jobs in industrial uses is more 'in proportion' with what one might expect.

However, in the case of office premises, the sectors which have the greatest influence over these uses have markedly lower FTE ratios to begin with, and these get lower over the period. Therefore, the difference in change between total jobs and FTE jobs is exaggerated.

Because of changing FTE ratios within sectors, largely as part time working becomes more common, there can be occasional perverse outcomes, particularly for declining sectors where the number of FTEs jobs lost is actually greater than the number of actual jobs.

non-employment uses. It is important that any potential losses of commercial employment stocks do not hamper the growth and ongoing performance of the economy.

- 4.3.4 HJA estimates a replacement requirement equivalent to 1-2% of stock per annum²⁸. Data on commercial property stocks is available up to 2019–20. This indicated 110,000 sq m of offices²⁹ and 1,052,000 sq m of industrial³⁰ premises in the district at 2020. Commercial stock data is only split by office and industrial, and does not therefore allow fine-grained analysis by Use Class. This estimate of commercial stocks is used to calculate replacement and upgrading requirements in the future. Figure 4.7 sets out the results of the analysis.
- 4.3.5 In aggregate the replacement requirement is far more significant than the needs resulting from the net changes in the economy; with up to 44,000 sq m of offices and 420,800 sq m of industrial (including light industrial and warehousing).
- 4.3.6 The scale of potential replacement requirements were discussed with local commercial agents. This suggested replacement requirements would be more significant for industrial stock than office stock. This insight may be helpful in understanding where in the range is more suitable. It was thought a significant proportion of office needs could be met through refurbishment. For industrial and warehousing it was noted that due to very strong levels of demand and limited supply many occupiers were making do with substandard accommodation. However, there is a need to deliver stock suited to modern requirements including appropriate external areas.

Figure 4.7 Forecast replacement and churn requirement 2020-40 (sq m)

Use	Total Stock (2019-20)	Annual Replacement	20 Year Plan Period Total
Office (1-2% pa)	111,000	1,100–2,200	22,000–44,000
Industrial (1-2% pa)	1,052,000	10,520–21,040	210,400–420,800
Total	1,162,00	11,620–23,240	232,400–464,800

Source: HJA based on VOA (figures may not sum due to rounding).

Reuse of Employment Sites

- 4.3.7 The analyses of both net additional and replacement requirements set out above do not consider whether the development activity takes place on existing employment sites (replacing or substantially refurbishing one building with another on the same plot of land) or whether currently unoccupied land needs to be made available. The evidence and market observation suggest there will be elements of both, particularly as some former employment sites are lost to alternative uses e.g. to residential uses through PDRs.
- 4.3.8 HJA has interrogated district level monitoring data for the period 2009–18 to identify the degree to which E(g), B2, and B8 Use Class completions have been achieved on previously developed E(g), B2, and B8 Use Class land (note that E(g) equates to B1 when considering historic monitoring data). On the basis of this analysis we assume that 10% of gross employment development activity can be achieved through reuse of previously developed employment land (E(g), B2, and B8 Use Class sites). This assumption is low in comparison with the findings of HJA analysis in other parts of the south of England³¹. The corollary of this is a need for the remaining 90% of gross

²⁸ See Appendix 1 for details.

²⁹ In the absence of detailed guidance, it is assumed that the VOA's definition of office space equates to E(g)(i) and E(g)(ii) in the new use class order.

³⁰ In the absence of detailed guidance, it is assumed that the VOA's definition of industrial space equates to E(g)(iii), B2, and B8 in the new use class order.

³¹ Previous HJA analysis in the West of England, Hampshire, Wiltshire and Devon has identified a replacement rate of around 20% on B Use Class sites.

requirements to be provided for through new development land (this can include previously or existing allocated but not yet taken up employment sites).

Development Density

- 4.3.9 A development density of 40% is assumed for industrial premises development. For offices a range is used to address the differing nature of development at 'in-town' and 'out-of-town' locations. A figure of 40% is used for out-of-town and business park type development. A figure of 100% is used to capture the higher densities achieved in town. If high-rise development is accommodated this can lead to even higher densities being achieved³². As a result the land requirement range for the office sector is wide and the floorspace figure may be a more suitable metric.

Choice & Flexibility

- 4.3.10 A percentage uplift of the combined requirement for net additional and churn/replacement is applied to ensure an allowance for range and choice is incorporated. This uplift also builds in some additional flexibility to allow the normal frictional movement in the market. As such, in line with industry standards, an uplift of 10% has been applied. A greater uplift could be applied if broader range and choice wanted to be provided e.g. location or typology.

4.4 Total Requirement

- 4.4.1 Figures 4.8–4.10 bring together the various elements within the analysis to build a picture of future requirements, split by office and industrial/warehousing.
- Table 4.8 shows the full range based on the two original baseline forecasts
 - Table 4.9 considers a narrower range based on the Central and Hybrid scenarios
 - Table 4.10 considers the Upper scenario
- 4.4.2 Each table is colour coded. The rows shaded grey (B) identify the net additional requirements arising from the various scenarios. The green shaded rows (G) indicate the overall requirement in floorspace terms that will need to be accommodated on new employment sites (i.e. redevelopment within existing employment areas has been removed). The pink/red shaded rows show the requirement in hectares for new employment land.
- 4.4.3 Each of the tables highlights the relative importance of replacement requirements when compared to net additional changes.
- 4.4.4 Table 4.8 provides a range of 23,700–46,300 sq m of need for office uses. Based on agent feedback, replacement requirements are likely to be at the low end of this range. When considering the lower ends of the range across all three tables the figures fall in the range 23,700–29,100 sq m which is a reasonable range for planning purposes. Given the range of potential densities the floorspace figure is likely to be more useful than a land area.
- 4.4.5 When considering industrial and warehousing uses table 4.8 provides a very wide range because of the extreme variance in the original forecast scenarios. Whilst these help to tell something of the range of potential outcomes, Table 4.9 provides the Central and Hybrid range which may provide a more balanced perspective. In terms of net additional change there is likely to be a loss of floorspace, but this is more than offset by the need for replacement requirements. The overall requirement for floorspace on new sites is in the range 112,100–323,600 sq m. Local agents

³² These assumptions draw on evidence cited in ODPM (2004) Employment Land Reviews – Guidance Note and Yorkshire Forward (2010) Planning for Employment Land (Roger Tym & Partners)

suggested a figure towards the upper end of the range may be more appropriate for industrial space. This would suggest a land requirement of approximately 80ha.

Figure 4.8 Total estimated future sites and premises requirements – Oxford Economics and Experian scenarios (sq m unless stated)

	Office	Industrial/Warehousing
Replacement Provision (A)	22,000 – 44,000	210,400 – 420,800
Net Additional Requirement (B)	2,000 – 2,800	(199,800) – 5,400
Gross Requirement (C=A+B)	24,000 – 46,800	10,600 – 426,200
Delivered on Existing Employment Sites (D)	2,400 – 4,700	1,100 – 42,600
Net Requirement (E=C–D)	21,600 – 42,100	9,600 – 383,600
Flexibility Allowance (F)	2,200 – 4,200	1,000 – 38,400
Total Requirement (G=E+F)	23,700 – 46,300	10,500 – 421,900
Average Annual Requirement	1,200 – 2,300	500 – 21,100
Total Land Requirement (ha)	2.4 – 11.6	2.6 – 105.5
Average Annual Land Requirement (ha)	0.1 – 0.6	0.1 – 5.3

Source: HJA (figures may not sum due to rounding, negative values in parentheses)

Figure 4.9 Total estimated future sites and premises requirements – Central and Hybrid Scenarios (sq m unless stated)

	Office	Industrial/Warehousing
Replacement Provision (A)	22,000 – 44,000	210,400 – 420,800
Net Additional Requirement (B)	2,380 – 3,680	(97,180) – (93,910)
Gross Requirement (C=A+B)	24,380 – 47,680	113,220 – 326,890
Delivered on Existing Employment Sites (D)	2,440 – 4,770	11,320 – 32,690
Net Requirement (E=C–D)	21,940 – 42,910	101,900 – 294,200
Flexibility Allowance (F)	2,190 – 4,290	10,190 – 29,420
Total Requirement (G=E+F)	24,130 – 47,200	112,090 – 323,620
Average Annual Requirement	1,210 – 2,360	5,600 – 16,180
Total Land Requirement (ha)	2.4 – 11.8	28.0 – 80.9
Average Annual Land Requirement (ha)	0.1 – 0.6	1.4 – 4.0

Source: HJA (figures may not sum due to rounding, negative values in parentheses)

Figure 4.10 Total estimated future sites and premises requirements – Upper Scenario (sq m unless stated)

	Office	Industrial/Warehousing
Replacement Provision (A)	22,000 – 44,000	210,400 – 420,800
Net Additional Requirement (B)	7,350 – 7,350	6,550 – 6,550
Gross Requirement (C=A+B)	29,350 – 51,350	216,950 – 427,350
Delivered on Existing Employment Sites (D)	2,930 – 5,130	21,690 – 42,730
Net Requirement (E=C–D)	26,410 – 46,210	195,250 – 384,610
Flexibility Allowance (F)	2,640 – 4,620	19,530 – 38,460
Total Requirement (G=E+F)	29,050 – 50,830	214,780 – 423,070
Average Annual Requirement	1,450 – 2,540	10,740 – 21,150
Total Land Requirement (ha)	2.9 – 12.7	53.7 – 105.8
Average Annual Land Requirement (ha)	0.1 – 0.6	2.7 – 5.3

Source: HJA (figures may not sum due to rounding, negative values in parentheses)

4.5 Validation

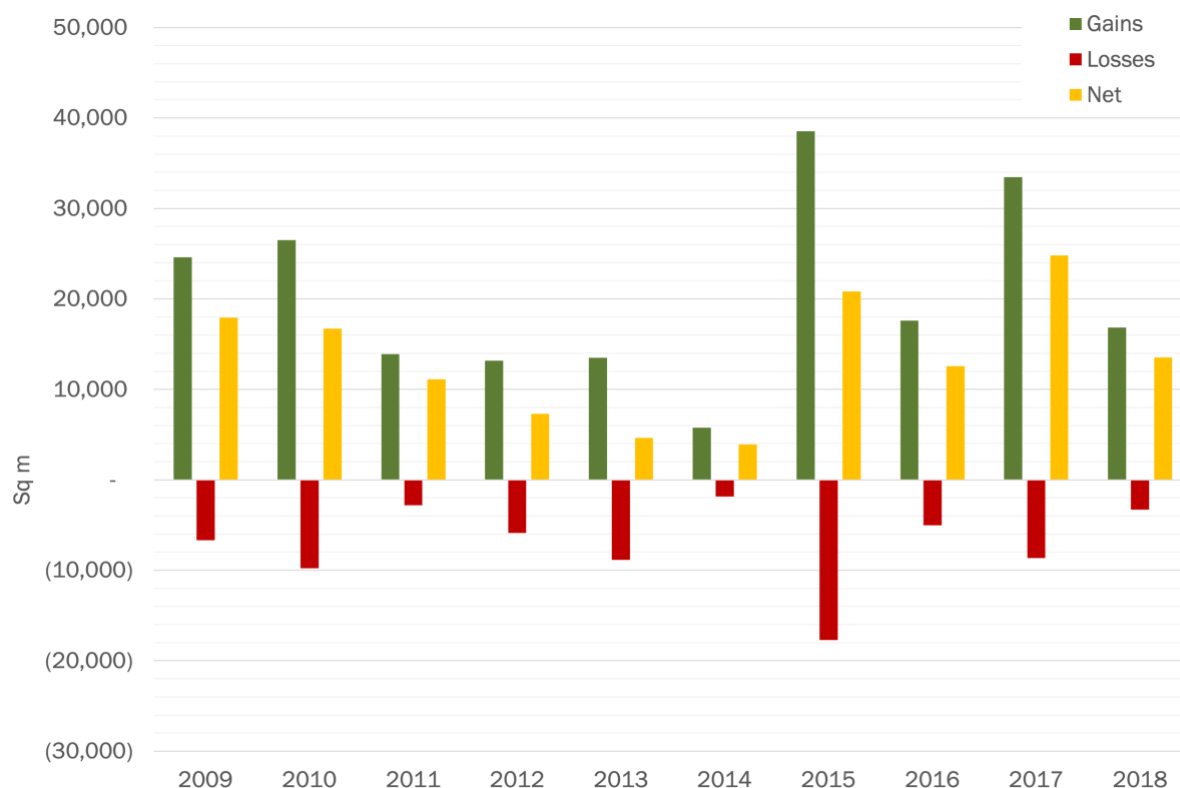
- 4.5.1 The figures set out above are largely drawn from desk-based analysis, but with testing at key points from local stakeholders. The results have therefore been validated through analysis of historic

development activity and through further stakeholder engagement from local commercial property market stakeholders.

Historic Completions

- 4.5.2 South Somerset Council has compiled monitoring records of historic development activity across the district. Figure 4.11 shows the gross and net levels of development of employment floorspace (i.e. former B use class) over the period 2009–2018 for South Somerset. The term ‘net’ here refers to employment development net of any losses incurred as a result of new employment premises coming forward. This does not take account of all employment floorspace losses to other Use Classes.
- 4.5.3 The evidence available suggests that the vast majority of development is accounted for by industrial floorspace – in every year except 2018 the office sector contributed less than 12% of total gains. In half of the annual figures, office floorspace experienced a net loss.
- 4.5.4 To aid comparison with forecast analysis Figure 4.12 includes average annual data. However, as is clearly evident from Figure 4.11, there is not an even annual spread of activity. The data is what might reasonably be described as ‘lumpy’, with major developments in some years and almost nothing in others. This is a typical feature of the development industry and means caution needs to be used when analysing data, as the inclusion or exclusion of single datapoints can have substantial impact on the averages calculated.
- 4.5.5 When aggregating the data over the 10 years for which data has been made available, average annual gross employment completions are estimated at 20,400 sq m per annum for South Somerset. After deducting any losses of employment floorspace as part of these developments the net figure is 18,100 sq m per annum.
- 4.5.6 Figure 4.12 compares these annual average figures with the equivalent annualised figures from the forecast analysis (Rows C and E from figures 4.8–4.10). This suggests historic development levels have been towards the upper end of the range forecast.
- 4.5.7 Figure 4.13 refines the comparison, adopting the lower end of the range for office development and the upper end of the range for industrial requirements, reflecting the comments of local agents. This suggests figures of a very similar order of magnitude to historic development patterns. The Central-Hybrid scenario range is slightly below historic levels, which may reflect the slower growth in the economy which is a feature of the economic forecasts relative to the 2000–2020 period. The Upper scenario range is above historic levels, primarily driven by industrial requirements which was a recurring theme in the consultation with local agents.
- 4.5.8 At the agents workshop there was specific discussion as to the expectation of future trends relative to past levels of development activity. Feedback suggested for offices the level of development will be lower (10-25%), but for industrial it would be a little higher (10-25%).

Figure 4.11 Historic employment (former B-Use Class) floorspace completions (sq m)



Source: HJA based on South Somerset Council (negative values in parentheses)

Figure 4.12 Comparison of historic and forecast employment development activity (sq m per annum)

	Historic	OE – Experian Range ³³	Central-Hybrid Range	Upper End
Gross Requirement(C)	20,400	1,700 – 23,700	6,900 – 18,700	12,300 – 23,900
Net Requirement (E)	18,100	1,700 – 23,400	6,800 – 18,500	12,200 – 23,700

Source: HJA

Figure 4.13 Comparison of historic and forecast employment development activity (sq m per annum) based on LOW office requirement and HIGH industrial/warehouse requirement

	Historic	OE – Experian Range ³⁴	Central-Hybrid Range	Upper End
Gross Requirement(C)	20,400	22,500	17,600	22,800
Net Requirement (E)	18,100	23,300	17,400	21,200

Source: HJA

4.6 Broader Market Trends

Offices

- 4.6.1 Nationally (pre-pandemic) there has been a shift of office requirements towards urban core locations, this enables improved access by public transport and access to amenities for workers. Out of town locations are having to adapt in order to offer similar benefits.

³³ Based on combining office and industrial figures from Figure 4.6.

³⁴ Based on combining office and industrial figures from Figure 4.6.

- 4.6.2 Being able to attract and retain workers is now critically important, location is therefore more important than the property offer, or its cost. It was reported by local agents that for employers paying high wages, even to moderately sized workforces, property costs are de minimis. It is not therefore possible to compete on property cost – the focus must be on workforce amenity. The implications of the Covid-19 pandemic on this are still to be fully realised, but it may increase the attractiveness of some areas that were previously viewed as secondary or tertiary locations where they offer high quality of life.
- 4.6.3 Flexibility of workspace and tenure is increasing. This includes space being treated as a service rather than a commodity. This increasing flexibility means office space is also being found in non-traditional locations such as hotels and retail centres. Cafes are now frequently quasi workplaces. There is therefore less clear ‘zoning’ of office areas. Notwithstanding, whilst there is increasing flexibility, and homeworking may become far more prevalent, there is still value stored on interaction and collaboration which is seeing continued take up of office spaces. It may just be that these workspaces are far more flexibly designed, and feature more meeting spaces, breakout spaces and amenities as opposed to traditional work areas.
- 4.6.4 There is growing evidence of challenges presented to office markets from Permitted Development Rights (PDRs). This is reducing available office capacity, and in locations where office development is commercially challenging there are real concerns.
- 4.6.5 Following the impact of the pandemic on typical working practices in some sectors, there is speculation as to whether increased homeworking will persist and therefore have a lasting impact on office markets. Early evidence suggests there could be an increase in homeworking, with a need for businesses to retain floorspace and repurpose it to provide collaborative spaces for in-person interaction. However, it is currently too soon to commit to any view with confidence.
- 4.6.6 South Somerset is not viewed as a strong office location by agents. Whilst there is some demand in Yeovil, the most successful schemes have been serviced office products. The extent to which South Somerset may benefit from a more dispersed office market is as yet uncertain. When consulted, agents thought the public sector would be the sole driver of new office development at any scale, with potential for refurbishment satisfying the majority of requirements. Future levels of development were expected to be below past trends.

Industrial

- 4.6.7 Generally, the continued rise in automation and use of AI is impacting manufacturing space. In particular this is driving requirements for modern stock. In areas where stock renewal has been slow, with a preference for refurbishment, there is a potential need for significant replacement activity. The general trend nationally is towards smaller unit sizes and towards urban sites.
- 4.6.8 The potential requirement to form more resilient supply chains could drive re-shoring activities and grow domestic manufacturing activity. However, the scale of this is uncertain and needs to be considered in the context of wider investment decision making post Brexit. Essentially the picture is unclear, but with strong indicators of local demand.
- 4.6.9 Generally commercial agents indicated there is a strong industrial market at present across all size types, lack of supply is frequently cited, although improving values are generally leading to increased levels of development where land is available. Local agents reported expectations of future development activity being above past trends if appropriate sites are made available.

Storage, Distribution and Logistics

- 4.6.10 The market is split into two core segments: large regional distribution hubs, often requiring very large sites; and first mile/final mile local centres which require much smaller sites. There are trends towards densification, including multi storey development to maximise value from rising land costs in some locations. There is also a continuing increase in the need for data storage.
- 4.6.11 The more rapid move towards online retail, driven by the pandemic, is fuelling continued growth in logistics activity, coupled with desires for more resilient supply chains, including stockpiling. Even where major strategic logistics activities are not appropriate there is high demand from final mile distributors.
- 4.6.12 Local agents suggested improvements to the A303 and A358 may strengthen market interest, but the M5 was thought to provide a stronger location for most large-scale requirements. However, there were expectations of strong demand from final mile operators, and the idea of increasing employment land supply along the A303 was warmly welcomed, with strong levels of interest from developers and occupiers in sites that have come forward.

4.7 Summary and Conclusions

- 4.7.1 This chapter considers both the requirements for E(g), B2, and B8 sites and premises to accommodate the net changes in the economy, but also to ensure a sufficiently high-quality ongoing stock to meet the needs of the existing economy and the perpetual changes that are going on within it.
- 4.7.2 Changes in employment will be spread across a wide range of Use Classes and none. A significant proportion (between 12%–28%) of additional jobs will not require sites and premises provision, either as a result of home working, peripatetic working or accommodation within the workplaces of others. Substantial net additional job creation will fall within other parts of the E and C use classes.
- 4.7.3 There is a mixed picture within the E(g), B2, and B8 use classes, with significant forecast employment losses in B2 activities, but gains in E(g)(i) office activities and B8 storage and distribution. In net terms a change of between (–4,400)³⁵ and +600 jobs in E(g), B2, and B8 use classes are forecast across the Plan period. The most significant driver of this variation is the very different forecasts for the manufacturing sector. Alternative Central and Hybrid scenarios have been developed to consider a more balanced position, whilst acknowledging that given current uncertainties a wide range of possibilities are valid. These central scenarios suggest a fall of (1,800)–(1,900) jobs in the traditional ‘employment’ Use Classes, primarily driven by falls in manufacturing that are not offset by other ‘employment’ sectors.
- 4.7.4 Net changes in the economy will require additional office and research & development space, but potential reductions of light and general industrial premises. A more substantial requirement is likely to emerge from the need to replace both office and industrial floorspace as a result of losses to other uses, dilapidation or unsuitable premises within the existing portfolio.
- 4.7.5 Based on historic patterns it is estimated that approximately 10% of the total gross requirement can be achieved on previously developed B Use Class sites. However, the remainder, and a suitable flexibility and choice buffer, will need to be provided through the site allocations process.

³⁵ Negative values in parentheses

- 4.7.6 The emerging forecast figures have been validated through comparison with historic levels of development activity and consultation with commercial market stakeholders. This showed historic levels of activity towards the upper end of the forecast range for industrial and warehouse requirements but the lower end of the range for office development. On this basis provision for around 24,000–29,000 sq m of office development and around 80ha for industrial and warehousing development is likely to be appropriate.
- 4.7.7 However, given the level of uncertainty caused by the Covid-19 pandemic and the acceleration of a number of trends that may change the scale and nature of employment property occupation, it will be vital to ensure a flexibility of provision and to carefully monitor activity. The Local Plan Review currently sets allocations at slightly above the upper end of the range – holding to such a position could provide the level of flexibility required to navigate the aforementioned uncertainties, particularly for industrial and warehousing activities given market sentiment.

5 Conclusions

5.0.1 This chapter provides summary conclusions.

5.1 Baseline

5.1.1 The economy has seen job growth over recent years; albeit limited. However, the demographic analysis indicates the primary driver of population growth is among the older (65+ years) age group. Pre-pandemic, the labour market metrics were positive, with high levels of economic activity and low levels of unemployment meaning limited slack in the labour force.

5.2 Economic Forecast Scenarios

5.2.1 Two sets of economic forecasts were purchased to inform the study. These provide differing expectations of future economic growth. Experian is more bullish in terms of GVA and employment growth, forecasting +6,630 jobs across the 2020–2040 Plan period. Oxford Economics forecast overall job losses of (–5,150) over the period.

5.2.2 There is wide variation in sectoral expectations. Experian analysis indicates the major growth sectors in employment terms are forecast to be Health, Wholesale & Retail, and Accommodation & Food. Oxford Economics indicates the major growth will be in Health, Professional Services, and Administrative Services. There are forecast employment declines in a number of sectors, with the most significant losses forecast in the Manufacturing sector, particularly within the Oxford Economics forecast.

5.2.3 Analysis of the economic impact of the Covid-19 pandemic suggests that whilst there will be long term GVA effects, and short/medium term employment effects, employment will return to a similar level to that which was forecast before the pandemic.

5.2.4 The projected demographic change in the area is a potential constraint on employment growth, with the vast majority of jobs growth needing to be filled by older workers (over 65s). This reflects the tight labour market at the start of the Plan period.

5.2.5 Whilst there are ambitions to see strong economic growth, there is limited labour market capacity to fuel growth above the baseline, and achieving the Experian forecast of +6,600 jobs may be challenging. Analysis of labour supply would suggest a figure around the centre of the range of the two forecast extremes is more aligned with the demographic assessment of additional economically active workers.

5.2.6 Two more central scenarios have been developed, a ‘Central’ and a ‘Hybrid’ taking account of the available evidence and considering past trends and policy ambitions. These suggest a growth in employment of 700–1,900 jobs over the Plan period.

5.3 Future Employment Sites and Premises Requirements

5.3.1 Future employment sites and premises requirements will be driven by both the net growth in the economy and the need to provide suitable premises for the existing economy and the movements within it.

5.3.2 Given the wide range of potential scenarios, office requirements ranged from 23,700–50,800 sq m and industrial and warehouse requirements from 3–106 ha. Through a process of validation

and testing a narrower range of 23,700–29,100 sq m of office requirement and approximately 80ha of industrial and warehouse land has been identified.

- 5.3.3 However, it is important to recognise there are a wide variety of potential outcomes, not least as a result of the uncertain economic context. The views of local agents generally downplayed the potential for the office sector and talked up the potential for industrial and warehousing requirements.
- 5.3.4 The Local Plan Review Preferred Options document (June 2019) currently sets allocations at slightly above the upper end of the range – holding to such a position could provide the level of flexibility required to navigate present economic uncertainties, particularly for the industrial and warehousing Use Classes.
- 5.3.5 The figures quoted above are based on ‘employment’ use classes and have not included any quantitative allowance for ancillary or supporting uses which often make employment sites attractive.

5.4 Dealing with Uncertainty

5.4.1 There are a complex set of uncertainties at play at present.

- The Covid-19 pandemic;
- The extension to Permitted Development Rights;
- The changes to the Use Classes Order; and
- The UK’s exit from the European Union.

5.4.2 The full implications of each of these changes are not yet fully understood and there is limited evidence upon which to assess the future impact on employment land requirements. The headline summary of these factors is:

- Current long-term forecasts suggest lower GVA but similar levels of employment by the end of the Local Plan period as a result of the Covid-19 pandemic. However, the risks are more likely to be on the downside than the upside in terms of the growth of the economy. Whilst a vaccine is starting to be rolled out, there remains uncertainty as to the pace at which the economy is able to return to ‘normality’.
- The Covid-19 pandemic has accelerated a number of trends in the economy and the use of employment premises. However, the degree to which these continue or ease back to pre pandemic normal is uncertain. These include:
 - Increased working from home, use of digital/virtual meeting tools and reduced or reconfigured use of office space;
 - Seeking to increase the resilience of supply chains and the implications for industrial (manufacturing) and logistics (storage and distribution) property;
 - Increased use of online retail, the changing nature of town centres and the implications for regional and final mile distribution hubs and the repurposing of town centre property³⁶.
- The potential for PD Rights to erode the existing stock of commercial employment property and the ability of the market to deliver sufficient replacement stock;
- The implications of the E Use Class on former B1 type uses, whether this will create flexibility to repurpose town centre property or have unintended consequences in eroding and changing

³⁶ This will be considered in more detail via an updated Retail and Town Centre Uses Study.

the nature of out of town/edge of centre B1 [E(g)] employment property (for example through PD Rights) further eroding the supply of commercial employment floorspace.

- 5.4.3 The confluence of such a range of contextual issues adds uncertainty to what is an inherently uncertain process of assessing future needs. This will mean a heightened need for close and careful monitoring of the outworking of these issues. It will also require sufficient flexibility to be provided within policy, and a recognition that not all implications will be well understood in the short term and that it may take time for all aspects of the commercial market (occupiers, developers and investors) to adjust to new trends.

Appendix 1: List of Consultees

The following individuals contributed their views to the study through either individual consultation or participation in a workshop to gather stakeholder views:

- Ben Trickey, Summerfields
- Duncan Brown, Greenslade Taylor Hunt
- David Foot, Chesters Harcourt
- Tim Western, JLL
- Andrew Maynard, Alder King
- Chris Winter, Cherwyn
- Shaun Travers, Boon Brown
- Matt Frost, Boon Brown

Appendix 2: Comparing Pre- and Post- Pandemic Economic Forecasts

The tables below show the long-term GVA and employment growth rates for sectors across the UK based on Oxford Economics forecast models prepared before and during the Covid-19 pandemic. The tables compares compound annual growth rates. This is a measure of average annual percentage change in GVA and employment across the whole period. 2018 is adopted as the base year as this was the last year of official data integrated within the Oxford Economics model.

Employment

Table A2.1 shows that the scale of total employment change is the same across the different scenarios. As discussed in the main report, there are differences in the 2020–2025 period, but by the mid- to late 2020s employment recovers to similar levels compared to pre-pandemic forecasts.

There are some variations by sector. The most notable are within construction, real estate, education and health. All other sector variations are within 0.1% points CAGR³⁷.

Table A2.1 UK average annual percentage employment change 2018–2040

Sector	Pre-Covid Baseline	Post-Covid Baseline	Post-Covid Downside
Primary Industry	-1.2%	-1.2%	-1.2%
Manufacturing	-2.1%	-2.1%	-2.2%
Utilities	-1.0%	-0.8%	-0.8%
Construction	0.6%	0.5%	0.3%
Wholesale & Retail	-0.1%	-0.1%	-0.2%
Transportation & Storage	0.0%	0.0%	0.0%
Accommodation & Food Services	0.2%	0.3%	0.3%
Information & Communication	0.7%	0.7%	0.6%
Financial & Insurance	-0.2%	-0.2%	-0.1%
Real Estate	0.5%	0.7%	0.8%
Professional Services	1.1%	1.1%	1.0%
Administrative Services	1.1%	1.0%	0.9%
Public Services	-0.4%	-0.3%	-0.3%
Education	0.2%	0.2%	0.4%
Health	0.8%	0.9%	1.0%
Arts, Entertainment and Recreation	1.2%	1.2%	1.2%
Other Services	0.4%	0.4%	0.4%
Total	0.3%	0.3%	0.3%

Source: HJA based on Oxford Economics

³⁷ Compound Annual Growth Rate (CAGR)

GVA

Table A2.2 shows that the scale of total GVA change across the three options displays more variation than employment. Variation between the baseline scenarios is fairly low in overall terms. However, there is a more significant variation between the two baseline scenarios and the downside scenario as a result of a much more prolonged period of economic weakness in this option.

The wider variation overall between the baseline and downside scenario has implications for all sectors.

Table A2.2 UK average annual percentage GVA change 2018–2040

Sector	Pre-Covid Baseline	Post-Covid Baseline	Post-Covid Downside
Primary Industry	-0.7%	-0.5%	-0.9%
Manufacturing	-0.1%	-0.1%	-0.5%
Utilities	1.2%	1.2%	0.8%
Construction	0.9%	0.9%	0.4%
Wholesale & Retail	1.2%	1.3%	0.8%
Transportation & Storage	0.9%	0.8%	0.4%
Accommodation & Food Services	1.0%	1.1%	0.8%
Information & Communication	2.5%	2.4%	1.9%
Financial & Insurance	1.5%	1.4%	1.1%
Real Estate	1.9%	1.7%	1.4%
Professional Services	2.4%	2.3%	1.8%
Administrative Services	2.1%	2.0%	1.5%
Public Services	-0.2%	-0.1%	-0.5%
Education	0.5%	0.3%	0.0%
Health	1.8%	1.8%	1.4%
Arts, Entertainment and Recreation	0.9%	0.9%	0.5%
Other Services	0.8%	0.8%	0.4%
Total	1.4%	1.3%	0.9%

Source: HJA based on Oxford Economics

Appendix 3: Economic Strategy Review

This section summarises the future growth plans and aspirations for South Somerset and considers the policy position within the context of the current national and regional policy environment.

This review assesses the policy documents in question for their findings on the following issues:

- Overarching areas of focus
- Key sectors
- Scale of growth – both targeted and aspirational
- Proposed actions to support growth

UK

Industrial Strategy

The primary national economic development policy is the UK Industrial Strategy. This sets out five foundations that will underpin an improvement in the UK economy's productivity:

- Ideas: to be the world's most innovative economy
- People: to generate good jobs and greater earning power for all
- Infrastructure: a major upgrade to the UK's infrastructure
- Business environment: to be the best place to start and grow a business
- Places: to have prosperous communities throughout the UK

In addition, four Grand Challenges are identified, with the aim of positioning the UK strongly in terms of high-value, knowledge intensive industries. These Grand Challenges are: Artificial Intelligence (AI) and Data Economy; Clean Growth; Future of Mobility, and Ageing Society. This highlights the need to strengthen and increase high-value economic activities within South Somerset.

The Industrial Strategy is ambitious in the scale of success it looks to enable. It commits to:

- Putting the UK at the forefront of the AI and data industry;
- Maximising the advantages for UK industry from the global shift to clean growth – through leading the world in the development, manufacture and use of low carbon technologies, systems and services that cost less than high carbon alternatives;
- Making the UK a world leader in shaping the future of the way people, goods and services move; and
- Harnessing the power of innovation to help meet the needs of an ageing society.

The Government has also published a number of Industrial Strategy Sector Deals, which are partnerships between the government and industry stakeholders on a sector-specific basis that aim to create opportunities to improve productivity and innovation, and positively impact employment and skills. There are a number of sector deals of relevance to the South Somerset economy:

- Aerospace Sector Deal
- Tourism Sector Deal

Regional

HoSW LEP Local Industrial Strategy (November 2020)

The HoSW Local Industrial Strategy (LIS) sets out how the LEP will support efforts to capitalise on new and emerging technologies whilst reducing the area's carbon footprint; increasing social mobility; and protecting and enhancing the natural environment.

The LIS hopes to transform the economy through clean and inclusive growth.

An independent review of the LIS evidence identified three broad areas of high opportunity in the area's economy – those which have the greatest potential for delivering productivity improvements, as well as contributing to the national Grand Challenges:

- Energy: associated with technical development for offshore and marine renewables, energy infrastructure, and nuclear industry activity with the new build nuclear power station at Hinkley.
- High-tech engineering: advanced manufacturing and engineering clusters; marine autonomy; sustainable aviation; and industrial digitisation.
- Digital Futures: building on strengths in big data and AI, environmental, and health technologies.

HoSW LEP Productivity Strategy

The HoSW Productivity Strategy sets out the LEP's long-term ambition to raise productivity, outlines how it will support delivery of the Government's Industrial Strategy.

The Strategy identifies three strategic themes to focus activity in order to improve productivity. Measures will be enabled that can strengthen:

- The leadership and ideas within businesses in the LEP area.
- The housing, connectivity, and infrastructure that people and businesses rely on for living, moving goods, and accessing jobs and training.
- The ability of people in the LEP area to work, learn and improve their skills in a changing global economy, and to maximise their economic potential.

Areas of world-class capability are identified as part of the Strategy. These strengths can be found in:

- Nuclear;
- Aerospace and advanced engineering;
- Marine;
- Data analytics; and
- Healthcare.

These are seen as industries with the potential to drive and accelerate economic growth in the LEP.

The primary aim of the LEP is to accelerate how fast the economy grows, and to double the economy over the next 20 years.

For each strategic theme, the Strategy proposes a number of actions that will support growth. These are set out below.

Figure A3.1 – HoSW LEP Productivity Strategy, actions to support growth

Strategic Theme	Outcome	High-level Aims	Programmes
Business Leadership & Ideas	Strong businesses amongst the most innovative and productive in their sector.	<ul style="list-style-type: none"> Significantly improve the productivity of existing businesses in both urban and rural areas. Capitalise on the area's competitive advantages. Attract additional high value businesses. Support and encourage a more equal distribution and take up of opportunities. 	<ul style="list-style-type: none"> Business innovation. Management excellence. Exports - new markets, new opportunities. Accessible support to start up and grow. Attracting business investment and Foreign Direct Investment.
Housing, Connectivity, and Infrastructure	Businesses having the right physical environment to thrive, connectivity to markets, and space to grow.	<ul style="list-style-type: none"> Create vibrant places that are attractive to skilled people and new investment, with infrastructure to support productivity and inclusive growth. 	<ul style="list-style-type: none"> Connectivity and resilience. Housing and land for business. Improving digital infrastructure and opportunities. Clean energy infrastructure.
Employment, Skills, and Learning	Businesses have a skilled workforce and are committed to training and developing talent to capitalise on future opportunities	<ul style="list-style-type: none"> Develop, attract and retain a highly skilled and adaptable workforce. Enhance education, skills and learning opportunities to improve the economic potential of the workforce. 	<ul style="list-style-type: none"> Educating and retaining the future workforce. Supporting the workforce to succeed in a changing economy.

HotSW LEP Employment Land Study

HJA recently undertook an employment land study for HotSW LEP to provide a better understanding of the current supply of, and demand for, employment land across the area, the challenges faced in bringing this land forward for development, and potential solutions to address these challenges.

Overall the evidence points to a much stronger industrial market than office market in terms of both current and future demand. None of the local authorities anticipates a weakening of demand in either office or industrial markets. Commercial agents exhibit some caution, due to short-term political uncertainty and as a result of uncertainties around future supply. Agents were also clear that without adequate supply there is potential restriction on levels of market activity and take-up.

Of the land that is allocated across the LEP area, 27% of this supply is currently deemed to be 'available' by local planning authorities (although this share varies significantly across local authority areas).

Data was also collected on a site by site basis, with information provided on site constraints. Based on the eight local authorities that provided a site-by-site schedule for their area³⁸, only 9% of allocated supply is reported as 'unconstrained' i.e. no constraint reported. The figure is as low as 15% in South Somerset.

More than a third of all sites reviewed across the HotSW LEP area face multiple constraints. 85% of sites larger than 10ha have been identified as facing multiple barriers. Less than a third of the sites reviewed are facing no constraints at all. Half of the sites that are facing no constraint at all are within the smallest (less than 1ha) category. It is clear from the incidence of multiple constraints that a single, narrow intervention to tackle only one constraint is unlikely to overcome the issues facing many sites. Even with support to tackle one constraint, some sites are not coming forward.

The following recommendations emerge from this research:

- Strengthening Market Intelligence
- Strengthening Planning Policy
- Strengthening LEP Policy and Lobbying
- Strengthening Delivery Tools

HotSW Covid-19 Route Map to Recovery

The available evidence suggests the negative economic impact of COVID-19 on the HotSW economy is expected to be greater than in other parts of the UK. There are specific challenges including:

- A reliance on those sectors that are hardest hit by lockdown, especially in rural and coastal communities;
- A high proportion of jobs at risk, particularly affecting young people; and
- The effects of significant reductions in tourism and hospitality on the food, farming and fishing sectors.

The Route Map to Recovery outlines measures to help stimulate the economy across Devon, Plymouth, Somerset and Torbay through three phases: Restart, Revitalise and Grow.

The *Restart* phase will involve supporting businesses to re-open, getting the unemployed people back into work, and supporting the hardest hit sectors.

The *Revitalise* phase aims to accelerate recovery through local interventions on training and growth support.

The *Grow* phase aims to create a better, cleaner, more inclusive economy with higher productivity and earnings.

³⁸ These local authorities account for 91% of reported allocated supply, making this group a representative sample.

The Route Map to Recovery updates the aims and opportunities in the Heart of the South West's Local Industrial Strategy submission to Government, with Clean and Inclusive Growth being its central theme in terms of economic growth.

Somerset Recovery and Growth Plan (July 2020)

In response to the Coronavirus pandemic, existing challenges, and future growth opportunities, Somerset County Council are preparing a recovery and growth plan for Somerset's economy. The Plan has not yet been published, however it can usefully inform this economic strategy review in terms of post-Covid impacts.

The Plan refers to the following sectors as highly significant in the Somerset economy.

Figure A3.3 – Somerset Recovery and Growth Plan, significant sectors

Bedrock sectors	Growth sectors
<ul style="list-style-type: none"> • Health & Care • Visitor Economy • Hospitality & Leisure • Retail • Food & Drink • General manufacturing/supply chains 	<ul style="list-style-type: none"> • Clean Growth (low carbon energy) • Aerospace & Advanced Engineering • Digital & Data (environmental) • Agri-Tech

In response to the immediate challenges of the Coronavirus crisis and the longer-term underlying opportunities and challenges the Plan sets out the following aims:

- Safeguarding jobs in the bedrock sectors and creating new and better jobs
- Support existing businesses and nurture start-up businesses from bedrock and growth sectors
- Delivering new affordable homes across Somerset
- Promoting a green recovery and a low carbon economy
- Levelling up and delivering an inclusive economy for all residents of Somerset

The Plan sets out a number of objectives and actions that will deliver on these aims throughout the recovery process:

Figure A3.4 – Somerset Recovery and Growth Plan objectives

Lockdown	Restart	Revitalise	Grow
Minimise negative impacts <ul style="list-style-type: none"> • Minimise loss of businesses, jobs and productivity 	Support bedrock industries and the workforce <ul style="list-style-type: none"> • Re-open businesses • Get newly unemployed back to work • Retrain unemployed for opportunities that are available • Tackle inequality and exclusion 	Accelerate recovery through local interventions <ul style="list-style-type: none"> • Starting to build back better • Support to bedrock and growth sectors • Promote economic growth (GVA) • Create new jobs • Train residents to access jobs • Reshaping of High Streets and town centres 	Moving to a new (better) economy <ul style="list-style-type: none"> • Higher GVA and productivity • Better quality jobs • Innovation and R&D • Low carbon economy • Digital • Reduction in carbon emissions

		<ul style="list-style-type: none"> • Delivery of more and more affordable housing • Tackle inequality and exclusion 	<ul style="list-style-type: none"> • Reshaping of High Streets and town centres • Delivery of more and more affordable housing • Tackle inequality and exclusion
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5.5 District

South Somerset

Economic Development Strategy

The Strategy sets out a vision along with a set of clear objectives, sets out how the priorities will be translated into a framework for change, and identifies mechanisms for delivery.

Six priority themes are identified:

- PT1: Business Support, Retention, Innovation and Inward Investment
- PT2: Transport and Communications Infrastructure
- PT3: Economic Inclusion – Skills, Careers and Training
- PT4: Land, Sites and Workspaces
- PT5: Supporting Urban Economies
- PT6: Supporting Rural Economies

PT1: Business Support, Retention, Innovation and Inward Investment

The aim of this theme is to help businesses compete locally, nationally, and internationally. Among the primary actions associated with this theme include:

- Map and evaluate existing key sector support plans, and business support networks and initiatives alongside key partners, including marketing and promotion as a business destination for potential new high growth sectors. This will include preparation of key sector propositions and contributing to relevant LEP Productivity Strategy Delivery Plans, including Aerospace (iAero and related activity), Food and Drink; and Local Industrial Strategy and Defence Strategy opportunity work streams.

PT2: Transport and Communications Infrastructure

Key infrastructure needs to be in place to allow business to thrive, which includes delivery of planned road and rail infrastructure upgrades. Among the success measures associated with this theme are:

- The District has high speed broadband coverage (Government target 100% by 2022).
- The commitment of funding from Central Government and key partners to deliver key highways and junction improvements at the A303 and A358 in accordance with project timescales.
- Improvement in rail infrastructure and services.
- Improvement in mobile phone coverage across the District, including delivery of a 5G network.

PT3: Economic Inclusion – Skills, Careers and Training

The right mix of skills in the workforce attracts investment and enables businesses to innovate and compete on quality. It is a key driver of economic growth. Acquiring the right skills also gives individuals more choices in the labour market, enables them to secure better earnings and income and reduces levels of social deprivation.

Among the success measures associated with this theme are:

- Increase the number of new business start-ups.
- Average 3-year business survival rates sustained or increased.
- Improvement in the levels of NVQ Level 4 and above, particularly in key sectors.
- Higher levels of local apprenticeships secured, started and completed.
- Improvement in social mobility and (re)training and upskilling of workforce.
- Reduced number of NEETs.

PT4: Land, Sites and Workspaces

The economy will be better placed to thrive and grow if the right mix and choice of employment land, sites for commercial development and high-quality workspaces are created. Among the success measures associated with this theme are:

- New employment land supply will be supportive of the objectives of the Council's Local Plan and Employment Land Evidence Base.
- High occupation of Yeovil Innovation Centre as a hub for business growth.
- Development of innovative and flexible workspace at locations across the District.
- Maintaining an updated and regularly reviewed key sites portfolio for promoting the District.
- Increased levels of enquiries for commercial floor space.

PT5: Supporting Urban Economies

The Strategy recognises the importance of the District's larger and smaller urban centres and supports the ongoing and expanding programme of regeneration both to facilitate economic prosperity, but also improve the quality of life for residents and the workforce. Among the success measures associated with this theme are:

- Delivery of investment in accordance with the objectives identified in the Yeovil and Chard regeneration programmes, and a framework for regeneration in Wincanton.
- Improvement in occupancy levels in the designated centres of the District, including promotion of mixed uses and business space.

PT6: Supporting Rural Economies

The Strategy supports the interaction between urban centres and rural areas and help 'showcase' and build the link between rural communities, towns, and key economic sectors. Among the success measures associated with this theme are:

- Increased levels of new business generation in the rural areas.
- Increased productivity.
- Development of a rural business network to promote a circular economy.
- Enhanced transport services/schemes to serve employment locations in the rural areas.

Infrastructure Delivery Plan

The Infrastructure Delivery Plan (IDP) sets out evidence on current and future infrastructure provision in South Somerset.

There are a number of strategic infrastructure issues which affect the whole of the district, where deficiencies and investment have a wider significance than for any one settlement. A summary of the key strategic and cross-boundary infrastructure issues is set out below.

Transport

In early 2021 the Secretary of State for Transport issued a decision to grant development consent for the proposed dualling of the A303 Sparkford to Ilchester. This represents a fundamental improvement to the strategic highway in that area. It will provide a boost to the overall economy of South Somerset by tackling congestion and improving journey times across the district. The scheme will also support economic growth by creating a reliable connection between the South East and South West regions. The Secretary of State's decision follows the approval of the DCO for the improvements at Stonehenge in November 2020.

Other strategic transport challenges exist, with options for improving connectivity along the A30, A37 and A358 being discussed. Highways England are proposing to upgrade the A358 to dual carriageway between the Southfields roundabout on the A303 and the M5 at Taunton. Delivery of this scheme is the next stage of the long term ambition to ensure a high-quality dual carriageway link between London and the South East and the South West, with the associated economic benefits. Improvement of the transport network is likely to be necessary in the medium-to-long term to ensure that South Somerset's functional relationships with the rest of Somerset, along with Dorset, Devon, Wiltshire and the wider South West remain effective and competitive.

Three important rail routes pass through the district: London (Waterloo) to Exeter; London (Paddington) to Taunton, Exeter and the South West; and Bristol to Weymouth. Together, these routes provide vital connections for business, leisure, and community related journeys that enable South Somerset to contribute to the wider South West and the UK as a whole. Improvements on these lines have benefitted South Somerset, but there are still challenges to overcome to ensure that South Somerset's advantageous position on the network is recognised, and that the necessary improvements in terms of capacity, frequency, journey time, and quality of service are delivered to the district in order to maintain a competitive advantage within the South West.

Appendix 4: Detailed Employment Forecast Data

Figure A4.1 South Somerset employment (total jobs) change by use class, 5 scenarios (2020–2040)

Use Class (as of 1 September 2020)	Oxford Economics	Experian	Central	Upper	Hybrid
B2	(4,790)	(290)	(2,540)	(270)	(2,540)
B8	(270)	350	40	350	80
C1	(20)	260	120	270	270
C2	510	1,310	910	1,320	910
C2a	-	-	-	-	-
E(a)	(480)	700	110	760	170
E(b)	(30)	420	200	430	430
E(c)(i)	(10)	40	20	40	20
E(c)(ii)	20	-	10	20	10
E(c)(iii)	-	-	-	-	-
E(d)	130	-	70	130	70
E(e)	220	570	400	570	400
E(f)	40	70	50	90	50
E(g)(i)	590	490	540	1,030	640
E(g)(ii)	20	10	20	30	20
E(g)(iii)	10	30	20	40	20
F1(a)	(200)	530	160	530	160
F1(b)	-	-	-	-	-
F1(c)	20	-	10	20	10
F1(d)	20	-	10	20	10
F1(e)	-	-	-	-	-
F1(f)	-	-	-	-	-
F1(g)	(60)	(20)	(40)	(20)	(40)
F2(a)	-	-	-	-	-
F2(b)	-	-	-	-	-
F2(c)	50	-	20	50	20
F2(d)	30	-	20	30	20
SG	(150)	500	170	630	320
None & Homeworking	(820)	1,660	420	2,140	810
Total	(5,150)	6,630	740	8,210	1,860

Note: figures may not sum due to rounding

Appendix 5: Methodology Details

SIC Use Class Matrix

The proportion of employment in each category in this matrix is based upon the share of reported employment as recorded by the Business Register and Employment Survey (BRES) in different activities. This approach was applied to each of the sub-sectors in turn and with analysis going down to 4 digit SIC codes. The matrix therefore reflects the current structure of the South Somerset economy in detail.

Figure A5.1 SIC–Use Class matrix

	Percentage of Total Workforce by Industry and Sector																												None + Homeworking
	B2	B8	C1	C2	C2a	E(a)	E(b)	E(c)(i)	E(c)(ii)	E(c)(iii)	E(d)	E(e)	E(f)	E(g)(i)	E(g)(ii)	E(g)(iii)	F1(a)	F1(b)	F1(c)	F1(d)	F1(e)	F1(f)	F1(g)	F2(a)	F2(b)	F2(c)	F2(d)	SG	
Primary Industry	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Manufacturing	91%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	9%
Utilities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	44%	56%
Construction	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	97%
Wholesale & Retail	0%	24%	0%	0%	0%	49%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	15%	12%
Transportation & Storage	0%	13%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	82%
Accommodation & Food Services	0%	0%	20%	0%	0%	8%	32%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	19%
Information & communication	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	68%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%
Financial & Insurance	0%	0%	0%	0%	0%	0%	0%	38%	0%	0%	0%	0%	0%	38%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	24%
Real Estate	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%	0%	0%	0%	75%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	6%
Professional Services	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%	80%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	6%	9%
Administrative Services	8%	2%	1%	3%	0%	5%	1%	0%	0%	0%	0%	1%	1%	30%	0%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	7%	32%
Public Services	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	30%	0%	0%	0%	0%	0%	0%	0%	0%	19%	0%	0%	0%	0%	0%	50%
Education	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	73%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	27%
Health	0%	0%	0%	45%	0%	0%	0%	0%	0%	0%	0%	19%	3%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	27%
Arts, Entertainment and Recreation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	31%	0%	0%	0%	0%	0%	0%	0%	5%	4%	0%	0%	0%	0%	0%	11%	8%	13%	27%
Other Services	0%	0%	0%	0%	0%	32%	0%	0%	0%	0%	0%	0%	13%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%	21%	32%
Total	17%	5%	1%	6%	0%	10%	2%	0%	0%	0%	1%	3%	1%	12%	0%	0%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	6%	29%

Source: HJA analysis

Homeworking

It is important to consider the effects of homeworking. Data on homeworking by sector is relatively limited and crude because of the aggregation of broad sectors. Agriculture and others is the sector with the highest reported homeworking.

In some sectors, homeworking may be a reflection of home-based businesses, which might include some itinerant working, e.g. the construction sector. The level of detail in the data does not allow clear conclusions to be drawn.

The SIC/Use Class matrix used for assessing employment by Use Class already makes allowance for employment that does not require land. This could include some who report being home-based, or itinerant workers. It could also include those with home-based businesses in a wide range of sectors. It would not therefore be appropriate to apply the figures from the Census as standardised deductions by sector. However, it should be utilised.

Figure A5.2 Homeworking as a share of employment

Industry	South Somerset
A, B, D, E Agriculture, energy and water	56%
C Manufacturing	8%
F Construction	44%
G Wholesale and retail trade; repair of motor vehicles and motor cycles	11%
H Transport and storage	19%
I Accommodation and food service activities	12%
J Information and communication	19%
K Financial and insurance activities	24%
L Real estate activities	6%
M Professional, scientific and technical activities	8%
N Administrative and support service activities	12%
O Public administration and defence; compulsory social security	27%
P Education	27%
Q Human health and social work activities	27%
R, S, T, U Other	27%

Source: HJA analysis of Census 2001

Floorspace Per Worker

Best practice guidance on employment densities uses a mix of net internal area (NIA), gross internal area (GIA) and gross external area (GEA). To convert to GEA an uplift is provided, +20% to convert NIA to GEA and +5% to convert GIA to GEA.

The table below sets out further details on assumptions in respect of average floorspace per worker. Given that existing guidance refers to the previous use class order, we have applied common sense in taking its principles and applying them to the new use class order.

Figure A5.3 Floorspace per worker assumptions

Historic Use Class	New Use Class	Assumption
B1a Offices	E(g)(i)	The Employment Densities Guide (2015) provides estimates for a range of office functions ranging from 8–13 sq m per FTE (Net Internal Area). The higher end of this range relates to Corporate HQ and the lower end relates to call centres. Financial Services, Public Sector and Professional Services fall within the 10–12 sq m range. The Occupier Density Study (2013) indicates an average density of 10.9 sq m for the UK. On this basis, an assumption of 11 sq m per employee has been adopted, with a 20% uplift to provide Gross External Area (GEA). The utilised assumption is therefore 13.2 sq m per FTE.
B1b R&D	E(g)(ii)	The most recent (2015) best practice guidance sets out a range of 40–60 sq m (NIA) for R&D B1b premises. The mid point of this range has been adopted, and uplifted by 20% to convert to GEA. A figure of 60 sq m per FTE has been used within the analysis.
B1c Light Industry	E(g)(iii)	The most recent (2015) best practice guidance indicates a figure for B1(c) light industry at 47 sq m per FTE (NIA). Allowances are made to align to GEA (+20%) with a final assumption of 56.4 sq m per FTE (GEA).
B2 General Industry	B2	B2 General is estimated at 36 sq m per FTE (GIA). Allowances are made to align to GEA (+5%) with a final assumption of 37.8 sq m per FTE (GEA).
B8 Storage & Distribution	B8	Latest available estimates suggest a range of 70–95 sq m per FTE. 70 sq m per employee (GEA) for ‘final mile’ distribution centres and 95 sq m per employee (GEA) for national distribution centres. There is the potential for a mix of both and 80 sq m per FTE has been adopted for this analysis.

Changing Employment Densities

Research publications setting out employment densities have indicated a trend towards increasing density of occupation of office space (i.e. reduced space per worker) over the last 20 years. Guidance published in 2001 indicated general office density of 19 sq m per worker (GIA) which had reduced to 13.8 sq m per worker (GIA) within the 2010 2nd edition of the guidance and a range of 9.2–15.0 sq m per worker in the 2015 guidance. As a result of increasing density of occupation across the whole office stock it was possible for substantial increases in employment to be accommodated within existing stocks through the reconfiguration and modernisation of space.

However, the September 2013 Occupier Density Study published by the British Council for Offices suggests this trend might be levelling off, for various reasons. This is in keeping with the findings of the 2012 and 2015 guidance documents. For the purposes of the quantitative assessment in this report it is assumed that there is no further substantive increase in the density of office occupation so as not to artificially restrict the provision of office space. However, when interpreting the results it should be considered that if the recent historic trend did continue there may be scope for a lower requirement for new office development than set out within this analysis. Particularly if there is a high proportion of call centre or high density type occupiers.

Replacement Allowances

An allowance for replacement has been included within the methodology to encapsulate the wider changes in the economy not picked up in the employment projections. Working practices change, new technologies are adopted, and the sites and premises used by firms need to adapt to these new ways of working. There are also losses to other uses either through sales and lettings or

redevelopment. As a result, there will be a need for some existing employment stocks to be replaced. There will also be instances where existing buildings are so dilapidated that they require complete reconstruction.

Developing a methodology to estimate the scale of replacement activity is not straightforward. As a result, the team at Hardisty Jones Associates, drawing on our experience of working with clients over a number of years, has developed a methodology which is robust in terms of its underpinning logic and the evidence used to derive assumptions.

Typically within the property sector, development appraisals on new buildings consider a 25–35 year time horizon. As a result, one may expect that after this period, a building would be ripe for replacement. However, data on the age of commercial employment buildings indicates a very different picture.

Data from 2004 (no more recent data has been published) for South Somerset (shown in the table below) indicates that a notable proportion of the existing stocks were built pre-1940 and 60% pre-1970. This implies that the useful lifespan of some stocks is considerable and beyond the 35-year development appraisal period.

Figure A5.4 Age of commercial stocks in South Somerset District

	% built Pre-1940	% built 1940–1970	Total Pre-1970
Retail	46%	8%	55%
Office	42%	17%	59%
Factory	17%	35%	51%
Warehouse	15%	24%	39%
Total	24%	26%	49%

Source: Department for Communities and Local Government (CLG) archive – Total floorspace by LAD and age (2004)

If buildings were replaced every 30 years, one would expect around 3% of all commercial employment property stocks to be replaced each year. Due to the existence of a substantial stock of property aged pre-1970 (60% for office, factory and warehouse stocks) this assumption is not supported by the evidence and is too strong. A figure around 1–2% per annum is a sensible working assumption. This effectively equates to a replacement of the entire commercial employment stock every 50–100 years (clearly there will be some property which is not replaced and other buildings which could be replaced more than once). It was noted at the workshop that newer stocks do not have the same life as Victorian buildings which have lasted very well.

For completeness, the available CLG data (as per the preceding table) indicates that 2% of commercial stocks are of uncertain age, 22% is 1971–1990 and 16% post-1990 (as at 2004).

References

Arup for English Partnerships (2001) Employment Densities: A Full Guide

Drivers Jonas Deloitte for OffPAT and Homes & Communities Agency (2010) Employment Densities Guide, 2nd Edition

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Occupier Density Study, 2013, British Council for Offices